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FOOD MARKETING IN BENELUX COUNTRIES:

- DEVELOPMENTS
- PROSPECTS FOR 1980
- SIGNIFICANCE FOR U.S. EXPORTS

ECONOMIC RESEARCH SERVICE • U.S. DEPARTMENT OF AGRICULTURE

ABSTRACT

Sustained economic growth is responsible for the rapid modernization of Benelux (the Netherlands, Belgium, and Luxembourg) food marketing systems. Consumers have more automobiles and refrigerators while more women are working and domestic servants are fewer. Housewives want to shop once a week in a store with a wide choice of food products, especially convenience foods. Automobiles help make supermarkets possible. In Holland, auto density was 30 per 1,000 people in 1956 and may be 251 by 1973. Supermarkets are growing in numbers and size while numbers of small grocery stores are declining rapidly. In Belgium, there were 94,000 foodstores in 1961 but there may be only 30,000 by 1980. Belgium had 31 supermarkets in 1962 but may have 700 by 1980. Also by 1980, 12 to 15 retailing organizations may control 75 percent of the Belgian food trade. Structural change and concentration in Benelux food wholesaling and manufacturi is equally as rapid and drastic as in retailing. The Benelux countries' curren $457 million market for U.S. food products may grow 27 percent by 1980. Modernizing Benelux industry challenges U.S. suppliers. To retain or increase their market share, U.S. firms must accord Benelux merchandizers the same intensive attention that they give their domestic customers.

Keywords: Benelux, food marketing, distribution, retailing, wholesaling, manufacturing, U.S. food product exports.

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SUMMARY

The Benelux food market, especially that for processed foods, is growing rapidly. But the United States cannot be assured of an increasing share. U.S. food and farm products worth $457 million, or 9.3 percent of U.S. commercial agricultural exports, went to Belgium, Luxembourg, and the Netherlands in 1969. However, this market may be progressively more difficult for American producers to penetrate because of a continuing revolution in Benelux food marketing. Benelux food manufacturers are becoming more efficient and competitive and are rapidly adopting American production and marketing techniques. Facing certain prospects of falling profit margins and rising consumer power, the leading retailers are demanding more from suppliers, including U.S. producers, on all key market variables--prices, quality, deliveries, market research, and promotion.

Accordingly, U.S. market development activities must be based on current, expert knowledge of Benelux market conditions. The same intense, continuing, expert effort that goes into marketing in the United States is rapidly becoming essential to successful marketing of U.S. goods in Benelux markets. The need is also increased for U.S. action to encourage removal of old barriers related to tariffs, nontariff trade restraints, diverse national food laws, and discriminatory freight rates. If the barriers are continued, U.S. agricultural exports may well become less competitive with European products in Benelux markets.

Sustained economic growth since the mid-1950's is the fundamental force behind the modernization of Benelux food marketing. Real per capita gross national product of the Benelux countries as a whole rose about 3.8 to 4.0 percent a year from 1958 to 1968. It is expected to grow about 4.0 percent a year in the 1970's. If this occurs, per capita food expenditures may rise about 1.6 percent a year and the total retail food market in constant prices would increase about 27 percent over the decade.

Rising Benelux incomes are also changing consumer demand. Benelux consumer are buying higher quality and more expensive foods. Processed food sales are rising about 4 to 5 percent a year, or twice the growth rate in total food expenditures. Sales of some convenience items are increasing about 10 to 20 percent a year.

The rising number of employed women, especially married women, is another factor stimulating demand for convenience foods and supermarket retailing. And, as numbers of domestic servants in the Benelux countries continue to fall, families are buying processed foods as partial substitutes for the labor lost.

The increase in Benelux incomes has permitted mass ownership of the two items--autos and refrigerators--that are essential to the creation of supermarkets, the keystone of a modern system of mass marketing. Belgium had only 60 cars per 1,000 people in 1956 but 161 in 1967. The Netherlands, with only 30 cars per 1,000 people in 1956, had 157 in 1968, while the comparative auto density figure for Luxembourg in 1968 was 217. Household refrigerators are now owned by over 90 percent of Luxembourg households, 72 percent of all Dutch families, and about one-half of all Belgian households.

Another force behind the modernization of Benelux food marketing is the radical change in the past 15 years in conditions that had limited growth of large-scale food marketing. Today, Belgium has about 61,000 foodstores--most of them extremely small--compared with 94,240 in December 1961. By 1980, Belgium may have only 30,000. The Netherlands may have no more than 40,000 foodstores, compared with about 68,000 in 1969.

Another major shift is from manual to self-service retailing. By 1970, the Netherlands had nearly 10,000 self-service foodstores, including 450 supermarkets. By 1980, new self-service supermarkets and superettes will handle all but a small fraction of total Benelux food business.

Large distribution enterprises--corporate and cooperative food chains, department-variety store chains, retailer-cooperatives, and voluntary chains--have expanded rapidly in the past 15 years. By 1980, only 12 to 15 of these probably will make 75 percent or more of all retail food sales in Belgium. An equally high concentration is expected in the Netherlands.

Benelux food manufacturing--a big, highly fragmented industry--is also undergoing rapid structural change. Numbers of small family enterprise food factories are declining rapidly and the future is bright only for plants with at least 100 employees. In the years ahead, mergers, acquisitions, and liquidations will rapidly increase the concentration of Benelux food manufacturing in a few large, efficient, market-oriented companies.

FOOD MARKETING IN BENELUX COUNTRIES:

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By

Norris T. Pritchard and William P. Huth 1/

I.--INTRODUCTION

For tourists, the Benelux countries--Belgium, the Netherlands, and Luxembourg--are fascinating lands of historic cities and battlefields, ancient cathedrals, picturesque villages, tulip farms, windmills, dikes, and canals. For businessmen, the three nations are bustling centers of industry, transportation, commerce, and finance. Situated at the gateway to Western Europe, they offer attractive market and investment opportunities and challenges.

For American farmers and food processors, the Benelux countries are important markets for many products of farm origin. In 1969, U.S. exports of agricultural products to the region totaled $456.7 million, or 9.3 percent of all U.S. commercial agricultural exports, excluding transshipments.

Study Purposes and Methods

Benelux food marketing is undergoing a revolution in organization and operation. All key market variables are changing. Old ways and institutions are giving way to new practices and organizations. Marketing systems that once were producer dominated are rapidly becoming market and consumer oriented. The current revolution ("Americanization") of Benelux food marketing is changing the who, what, and how of marketing food and kindred products. Accordingly, new marketing concepts, strategies, and techniques are needed to maintain and expand sales of U.S. products in Benelux markets.

Development of new marketing policies and operations in a dynamic environment is facilitated by basic marketing intelligence. This knowledge includes basic information and analyses of the organization and operation of the marketing systems and of the nature and causes of the continuing structural and performance developments in them.

This study of Benelux food marketing is an attempt to develop the needed marketing intelligence. It is designed to assist U.S. exporters, farm and industry groups, and the U.S. Department of Agriculture, Foreign Agricultural Service, in developing improved strategies and techniques for expanding U.S. agricultural exports, especially processed food products.

1/ Agricultural economists, Foreign Development and Trade Division, Economic Research Service.

In this study, the authors interviewed more than 50 executives of leading Benelux food retailing, wholesaling, importing, and manufacturing companies, trade associations, and government agencies in a 5-week period in the spring of 1970. Marketing operations were observed in Benelux stores, shopping centers and other establishments. Additional data were obtained from trade associations national governments, international agencies, and several publications. The analytical method, discussed in detail in (45), centers on the concept of food marketing as a major subsystem in the Benelux economy. 2/ The study also draws heavily on earlier research by the senior author in the United States and Western Europe (39).

The Benelux Countries

Belgium, the Netherlands, and Luxembourg form a small region in Western Europe bounded by the North Sea, West Germany, and France. The combined land area is 25,364 square miles, or slightly under half the area of Iowa. The region's 1970 estimated population is 23 million people. The Netherlands, with an area of 12,584 square miles and more than 13 million people, is the world's most densely populated nation. Population densities in Belgium and Luxembourg also are high.

The three countries are partners in the Benelux Economic Union. They are the smallest of the six member nations of the European Community (EC), popularly known as the Common Market. Brussels, the capital of Belgium, also is the headquarters of the European Community Commission and other international organizations. The Kingdom of the Belgians, the Kingdom of the Netherlands, and the Grand Duchy of Luxembourg are constitutional monarchies in which political power resides in democratically elected parliaments.

The Benelux countries are three of the world's most highly industrialized, affluent nations. The 1968 per capita gross national product (GNP) of the region was $2,068, or about 47.2 percent of the U.S. per capita GNP of $4,379, but 21.6 percent above the Western European average of $1,700 (28).

Because of their industrial development, high family incomes, and geographic location, the Benelux countries have an importance in world trade that is far out of proportion to their population. Belgium's 1968 exports, for example, were about 41 percent of its GNP, compared with only 5.7 percent for the United States (28). The ports of Rotterdam, Amsterdam, and Antwerp are among the world's largest in tonnage of goods handled. In addition to serving Benelux cities, the ports are major transshipment points for goods moving to and from other European cities. The port cities and others, especially Brussels and Luxembourg, are important centers of industry, commerce, and finance.

The Benelux countries are dynamic, expanding markets. Economic growth continues at a high rate. This, in turn, as chapter II makes clear, significantly affects consumer purchasing patterns and the structures and operations of the Benelux food marketing systems. Recent, current, and prospective developments in the organization and operation of Benelux food retailing, wholesaling and manufacturing are described and analyzed in chapters III, IV, and V. Chapter VI deals with the significance of the revolution in Benelux food marketing for U.S. exports and export strategies and operations.

2/ Underscored numbers in parentheses refer to items in Literature Cited, p. 54.

II.--BASIC FORCES AFFECTING FOOD MARKETING

The organization, operation, and development of national food marketing systems are much influenced by basic socioeconomic developments external to the systems. Accordingly, analysis of these factors is essential to full understanding of the dynamic Benelux food markets and marketing systems.

Population

Population growth continues to promote moderate expansion of the Benelux food industries. Belgium's population grew 0.6 percent a year from 1957 to 1968 (table 1). About a third of the increase came from net immigration of

Table 1.--Benelux countries: Population growth characteristics, January 1, 1957-December 31, 1968

Country	Population, Dec. 31, 1968	Increase, Jan. 1, 1957-Dec. 31, 1968	Percentage of increase due to net immigration	Compound annual growth rate of population Jan. 1, 1957-Dec. 31, 1968: Total	Compound annual growth rate of population Jan. 1, 1957-Dec. 31, 1968: Excluding migration
	Thousands	Thousands	Percent	Percent	Percent
The Netherlands	12,798	1,841	2.1	1.3	1.3
Belgium	9,632	681	29.2	0.6	0.4
Luxembourg	336	29	50.9	1.5	0.75
Total	22,766	2,551		1.1	

Source: Computed from (40).

workers from other European countries to fill jobs created by Belgium's expanding economy. Immigration accounted for half of Luxembourg's population growth of 1.5 percent a year in the same period. In contrast, the Dutch growth rate of 1.3 percent a year was almost entirely the result of a moderately high birth rate and a low death rate.

In the years ahead, population growth in the Benelux countries is likely to be lower than in the recent past (table 2). Recent studies suggest annual

Table 2.--Benelux countries: Midyear population and growth rate estimates, 1970-80

Country	Population: 1970	Population: 1980	Growth rate, 1970-80
	Thousands	Thousands	Percent
The Netherlands	12,977	14,468	1.1
Belgium	9,683	10,150	0.4+
Luxembourg	352	391	1.1
Total	23,012	25,009	0.8+

Source: (49) via information obtained from Popul. Ref. Bur. Inc., Wash., D.C.

growth rates of 0.4 to 0.5 percent in Belgium and about 1.1 percent in Luxembourg and the Netherlands (49). For the Benelux region, the 1970-80 estimate is 0.8 to 0.9 percent a year.

However, population forecasts are notoriously risky. Recent U.S. experience has shown that birth rates can fall quickly when young married couples change their concept of the "ideal" family. This may now be happening in the Netherlands. In addition, net immigration of workers from southern Europe could drop quickly if (1) Benelux economic growth and job opportunities decline even slightly, (2) job opportunities in southern Europe improve, or (3) more Benelux women decide to seek employment outside their homes. Thus, Benelux food manufacturers and distributors can reasonably expect only moderate increases in food sales from population growth in the 1970's.

Food Consumption and Nutrition Levels

The Benelux countries have long had a fully adequate level of food consumption in terms of basic nutritional requirements (table 3). On the other hand, U.S. food consumption data suggest that present Benelux food consumption patterns allow substantial scope for change in the average "quality" of Benelux diets. Consumption of such traditional staples as potatoes and bread grains is much higher in the Benelux countries than in the United States. But beef, pork, and poultry consumption is substantially lower. The Benelux percentage of total protein from animal sources is low but per capita levels of calories and total protein are nearly equal in all four countries.

From 1957 to 1967, most of the changes in U.S. and Benelux food consumption suggest decreases in prevailing intercountry differences. In general, consumption of so-called "poor men's" foods is declining as family incomes rise, and consumption of the more expensive "rich men's" foods is increasing. These trends have much significance for food marketing firms operating in and exporting to the Benelux countries.

Income Growth

Economic growth probably is the most significant and desired economic phenomenon of modern times. Rising levels of real income are also the main source of food industry growth. By definition, economic growth requires significant increases in real per capita income. In most of the period since World War II, the gross national products of the Benelux countries increased at moderate to high rates (42, 8). Per capita GNP, in constant prices, rose 44 percent in Belgium and 47 percent in the Netherlands from 1958 to 1968. Similar growth took place in Luxembourg. The food industries shared in this growth. During 1958-68, total expenditures for food rose 21 percent, in real terms, in Belgium and 37 percent in the Netherlands, while per capita increases were 13.7 percent and 20.4 percent, respectively.

For the 1970 decade, a reasonable assumption for Benelux economic growth is 4 to 5 percent a year. On this basis, food expenditures are likely to rise about 1.6 percent per year per capita, or about 2.5 percent a year with annual

Table 3.--Per capita nutritional levels, consumption of major food items, and changes, the Netherlands, BLEU, and the United States, 1957*-67* 1/

Item	Per capita per day, 1967*: Netherlands	BLEU	United States	Percentage change, 1957*-67*: Netherlands	BLEU	United States
	Number			Percent		
utritional indicators:						
Calories	3,195	3,040	3,115	3	1	2
	Grams					
Protein	84	87	91	-1	1	1
Vegetable	31	38	26	-14	-7	-4
Animal	53	49	65	8	9	2
Fats	154	141	149	11	10	3
	Kilograms per year					
ajor food items:						
Bread grains (as flour) 2/	64.7	80.7	52.4	-20	-12	-7
Other cereals, except rice (as flour)	2.2	1.5	8.6	-35	-25	-2
Rice (husked)	2.7	1.0	3.3	12	-45	32
Potatoes 3/	88.9	119.3	43.7	-3	-13	-6
Total meat	56.9	64.5	112.8	26	17	10
Beef and veal	19.2	23.2	45.9	14	11	11
Pig meat	26.7	23.7	38.4	22	12	13
Poultry	4.8	7.2	25.4	380	44	43
Eggs	11.5	14.3	18.3	4	-5	-12
Liquid milk	151.0	106.7	131.1	-19	1	-9
Cheese	8.0	6.5	6.5	18	12	15
Butter (product weight)	3.3	9.6	2.6	-13	-7	-33
Margarine (product weight)	19.6	13.2	4.8	-1	24	22
Total fats and oils (fat content)	32.5	29.4	22.4	9	11	8
Sugar (refined)	44.9	34.5	43.4	10	7	2
Vegetables 4/	74.4	75.0	90.1	12	9	-3
Fruit	81.7	54.9	46.3	60	5	-15

1/ BLEU refers here as elsewhere to the Customs Union of Belgium and Luxem-ourg. In every case, 1957* represents a 5-year average centered on itself for ie United States and on 1957/58 for the Netherlands and BLEU. 1967* represents 2-year average for 1966-67 for the United States, 1966/67-1967/68 for the etherlands, and 1965/66-1966/67 for BLEU.

2/ Wheat, rye, and other bread grains.

3/ Including potato flour (expressed in fresh potato equivalent) and sweet-otatoes.

4/ Including canned vegetables (expressed in fresh equivalent).

Source: Calculated from (38).

population growth at 0.8 to 0.9 percent. 3/ These expectations are based on several factors: The historical record; the internal momentum (dynamism) for growth; and the strong commitments of the three governments and the EC to policies of economic growth, full employment, and price stability. Accordingly the food industries--agriculture, food manufacturing, and food distribution--can reasonably expect continuing expansion of consumption and marketings of food products.

Rising affluence, however, does more than simply increase sales of food. Economic growth produces a continuing evolution in the structure of final demand for food and related marketing services. Affluent consumers have more discretionary income to satisfy a diversity of new wants, upgrade diets, and reduce the time and drudgery of household work. Consumer attitudes about necessities and luxuries change and new products may become symbols of progress. In short, economic growth is the primary force for change in food marketing.

Rural and Urban Areas

In the long history of economic development, increasing urbanization has been an important source of growth in sales for food marketers, although not in total food consumption. As people move from farms to cities they produce less of the food they eat. They buy more from retailers and the marketing system handles more of the total food supply. However, in the Benelux countries, this source of growth in food marketing is no longer important. 4/

By 1956, nonfarm employment had reached 91.3 percent of total employment in Belgium, 81.2 percent in Luxembourg, and 86.5 percent in the Netherlands. In 1968, the corresponding percentages were 94.4, 87.9, and 92.1 (27). 5/ By 1980, nonfarm employment in Belgium may reach the current British level of about 97.0 percent of all workers. Similar employment and residence trends are expected to continue in Luxembourg and the Netherlands. But these trends have little effect on food manufacturers' and distributors' sales except for retailers in declining rural areas.

Suburbs and Automobiles

In contrast with the limited impacts of further urbanization on Benelux food marketing, the growth of suburban areas is having significant effects. In recent years in Europe as in America, city centers have been losing

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3/ Recent projections to 1980 made by analysts in the Netherlands and Belgium have put annual growth of total food consumption expenditures in the Netherlands at 2.7 percent and in Belgium at 2 percent (7, 13). If growth attributable to population growth at the previously stipulated rates (1.1 for the Netherlands and about .4 for Belgium) is subtracted, the result is an estimated per capita growth rate of 1.6 percent in each country.

4/ In the Netherlands in 1958-68, the market value of total food consumption nearly doubled from 6,699 million to 12,528 million Gldrs. But the value of direct consumption of food in households where it was produced increased hardly at all, from 128 million to 129 million Gldrs. Thus, direct consumption outside the marketing system fell from 1.9 to 1.0 percent of total consumption (36)

5/ In the United States, nonfarm employment increased from 89.3 percent of total civilian employment in 1956 to 95.0 percent in 1968 (40).

population and commerce while the suburbs have been growing at nearly explosive rates (25). For instance, from 1961 to 1967, the populations of Belgium's five largest metropolitan areas (Antwerp, Brussels, Ghent, Liege, and Charleroi) grew 1.0 percent to 9.2 percent but the cities themselves lost 0.5 percent to 6.3 percent of their inhabitants (8).

These trends are continuing throughout Europe. For example, Dutch business leaders and public officials interviewed in this study frequently mentioned evidence of growth of a giant triangularly shaped megapolis stretching from Rotterdam northward through the Hague to Amsterdam and southeastward to Utrecht. The primary general cause of the flight to the suburbs is economic growth. More specifically, rising family incomes finance the move to suburbia and the purchase of automobiles.

The automobile is a key instrument in altering food marketing and ways of living. It is a prime cause of changes in the shape of cities. Without the mobility automobiles provide, surburban living probably would not be possible or attractive for most people. This rapid growth of suburbia and its associated mode of life--modern, fast, tense, and with people accustomed to rapid change and very time-conscious--is affecting shopping habits, store locations, and the total structure and performance of the Benelux food marketing systems.

These developments are forcing closure of many small, central city shops and are promoting rapid growth of modern suburban shopping centers. Without the automobile, the supermarket would be rare. The automobile also broadens the effective area of competition among retail stores and changes consumers' shopping habits. The consumer without a car must shop several times a week in nearby stores simply because the bulk and weight of the family food supply force this practice. 6/ With a car available to transport food purchases from the supermarket, once-a-week shopping becomes feasible. 7/ This saves consumers much time and labor and reduces retailers' costs. The automobile also facilitates tourism, weekend and holiday excursions, and many other changes in ways of living. In short, the automobile has an enormous impact on food buying habits and the structure and operation of the whole food marketing system.

Numbers of automobiles are increasing rapidly in the Benelux countries. On January 1, 1956, the Netherlands had only 30 cars per 1,000 people, compared with 322 in the United State. Belgium had 60 and Luxembourg had 79 per 1,000 people. But by January 1, 1967, the density of autos was 161 in Belgium, 199 in Luxembourg, and 128 in the Netherlands, compared with 397 in the United States (29, 39). The estimated density of 184 autos per 1,000 people in the Netherlands in 1970 is more than six times the 1956 level.

6/ Trade sources indicate that a shopper on foot usually buys at stores within 300 yards of the home. An automobile increases the shopping area to several miles and many more stores. The impact on competition among stores, and indirectly among food manufacturers' products, is significant.

7/ Today, few families in Europe own 2 cars, and husbands usually have the car during the workweek. As a result, say retailers, many Benelux families drive to a suburban shopping center at the end of the week to purchase most of their needs. They patronize nearby small shops on a fill-in basis during the week.

These dramatic leaps in private-auto ownership have accelerated in recent years. From 1958 to 1963, the number of autos in the Netherlands doubled, and from 1963 to 1967, it doubled again (36). Recently, the number was predicted to increase by 60 percent between 1968 and 1973 (37). No one doubts that the numbers of autos in the Benelux countries will increase dramatically in the 1970's. Each year, registrations of new cars exceed those of the previous year. A recent economic report on Belgium states that annual sales of automobiles have almost tripled since 1960, and that the 1969 sales increase set a record (6). A Luxembourg report indicates that the number of private autos reached 217 per 1,000 people in 1968, the highest density in the EC (32). Europeans seem to be as much in love with the automobile as Americans are, and its effects on life and business are similar on both continents. More specifically, the continuing rapid growth of suburbia and of private ownership of autos are major forces underlying the massive restructuring of Benelux food retailing (see chapter III) and, indirectly, other branches of the food industry

Working Women

The changing social status and employment of women are other basic forces changing the structure of demand for food and marketing services. An upward trend in female employment strengthens the demand for convenience foods and for timesaving marketing services, such as supermarkets and shopping centers. A gainfully employed married woman may actually work as many hours at home as she does away from home. As a result, she has a compelling need to save time and energy. She also has the "double" family income that allows her to pay a little more, if necessary, for laborsaving products and marketing services. 8/

Levels of employment of women outside the home are considerably lower in the Benelux countries--especially in the Netherlands--than in most other affluent countries. In 1965, "working" women were 36 percent of all women in Belgium but only 28 percent in the Netherlands, compared with an average of over 45 percent in eight other Western European countries (50). 9/ Trade sources in Luxembourg estimate that the national level of female employment is comparable to that of the Netherlands.

Women were 30.2 percent of all Belgian workers in 1956, and 32.2 percent in 1968 (40). But in the Netherlands, women workers were only 24.6 percent of civilian employment in 1956 and 24.9 percent a decade later. In contrast, the female share of total civilian employment in Sweden rose from 34.7 percent in 1960 to 38.0 percent in 1968. In the United States, the share rose from 32.0 to 36.6 percent from 1956 to 1968.

8/ Convenience foods and timesaving marketing services may be less costly than traditional foods and services. In Europe, supermarket prices generally are below prices in small foodshops. Also, a 1963 U.S. study of 158 convenience foods found that 42 actually cost less than their less processed counterparts (23).

9/ "Working" is defined as the percentage of women aged 15 through 64 who are either at work outside the home or recorded as seeking work. The 8 other countries are: Austria, Denmark, France, West Germany, Norway, Sweden, Switzerland (data for 1966), and the United Kingdom. The corresponding averages for working men in the 15-64 age group for these 8 countries and for the Netherlands was 89 percent. The Belgian rate was 86 percent (50).

The principal explanation of the lower Benelux employment rates for women seems to be differences in national attitudes on the social position and employment of women. Apparently, there is a general belief in the Netherlands and Luxembourg that married women should work only at home. Obviously, if this attitude changes appreciably in the years ahead, the food marketing systems, especially food manufacturers, will be affected significantly. Food industry leaders indicate that younger people (under 25) are generally more favorable to the "working wife" idea. These trade sources also report that the Dutch income tax law was changed recently to exempt from tax the first 2,000 Gldrs. (about $560) of income earned by the wife. However, the effects of these and other developments on national attitudes toward and rates of female employment in the years ahead remain uncertain. Nevertheless, absolute numbers of gainfully employed women are increasing slowly in all three countries simply because of population growth. For food marketers, this trend signifies a gradual increase in number of Benelux families interested in modern processed foods and marketing services.

Domestic Servants

Another factor affecting the structure of food demand is the persistent downward trend in employment of domestic servants which is characteristic of affluent, growing economies. Economic growth reduces the supply of servants by creating better employment alternatives. Rising wages also force many middle-income families to do without domestic help.

At the same time, developments in several industries continue to reduce household labor requirements. The construction industry is building more labor-efficient houses. The home appliance industry is producing an expanding volume of laborsaving machines. Food distributors are building more efficient shopping facilities, especially supermarkets, and food manufacturers are marketing convenience foods. Households, like industry, are substituting capital for labor, and they are buying less labor directly and more indirectly in the form of processed foods.

In the Benelux countries, the limited data available indicate that employment of domestics is declining slowly. 10/ Nevertheless, while few wageworker households had servants in 1963/64, many well-to-do families employed them. Among families in the salaried employee and bureaucrat classes, the percentages with servants were 19.6 in the Netherlands, 18.7 in Belgium, and 9.2 in Luxembourg (18).

In the Netherlands by 1968, total man-years of work (including part-time work) by paid domestic servants were estimated at about 97,000, compared with 109,000 man-years a decade earlier (36). Numbers of domestic servants in Benelux homes are expected to continue declining slowly, assuming moderate

10/ In Belgium, for example, according to information obtained from the Institut National de Statistique, the number of domestic servants fell from about 88,000 in 1947 to 34,000 in 1961.

economic growth. 11/ This development will add to the expanding demand for more fully prepared foods and more convenient shopping facilities.

Refrigerators and Frozen Foods

The household refrigerator may be as important as the automobile in changing the structure of food marketing. It too is a key factor in facilitating once-a-week shopping in supermarkets by allowing storage of perishables and reducing dependence on neighborhood shops.

Although data on percentages of Benelux households with refrigerators and freezers are fragmentary, no one doubts that household ownership of these appliances has risen rapidly in recent years. A refrigerator is a popular household appliance and one of the first to be purchased as family income rises. European appliance manufacturers are vigorously promoting sales with emphasis on larger units. Many Benelux families reportedly are now exchanging their old refrigerators, typically units of 4 cubic feet with little or no frozen food capacity, for units about twice as big. These larger units usually have about 2 cubic feet of frozen food space. 12/

While 90 to 95 percent of all Luxembourg families own a refrigerator, only 72 percent of Dutch households have one (table 4). The percentage in Belgium probably is somewhat lower. In 1969, some 62.5 percent of all Dutch families had some capacity for storage of frozen foods (11).

Commerce in frozen foods also depends on the completeness of the so-called "cold chain." In 1968, while 69 percent of all Dutch retail foodstores had some capacity for keeping frozen foods, only 17 percent of all Belgian retail foodstores could sell them (11). But all new self-service stores and supermarkets in the Benelux countries have frozen food display equipment.

Estimated 1967 per capita consumption of all frozen foods, excluding fowl and ice cream, was only 1.4 kilograms for Belgium and 2.3 for the Netherlands (27). The comparable 1967 figure for Sweden, the European leader, was 8.1 kilograms, while for the United States, including poultry, the level was 30.2. These figures show substantial room for growth in Benelux consumption of frozen foods with continuing economic growth and increasing household and retail ownership of freezers.

11/ In the United States, employment of domestic servants has trended slowly but steadily downward despite population growth. On a full-time equivalent basis, the number of such employees fell from a post-World War II high of 1.7 million in 1950 to a low of less than 1.4 million in 1969 (53, 54).

12/ Although the trend in sales of refrigerators in the Benelux countries is toward larger units, the typical family refrigerator is likely to remain smaller than in the United States because of the smaller dimensions of Benelux houses and apartments. In 1968, the average Dutch dwelling unit had only 70 sq. meters (about 765 sq. ft.) (36). Kitchen space is correspondingly limited. (A sq. meter is slightly less than 11 sq. ft.)

Table 4.--Benelux countries: Percentages of households with refrigerators, selected years

Country	1963/64		1966/67	1970
	Wageworker households	Salaried households	All households	
	Percent			
Belgium	24.9	57.3	38	---
Luxembourg	64.7	79.2	---	90-95
Netherlands	25.5	51.6	50	72

Source: (18) for 1963/64. (27) for 1966/67. Informed judgment of local interviewees for 1970.

Changes in Daily Living

Ways of living in the Benelux (and other European) countries are changing in response to rising incomes and other socioeconomic forces. Changes of special significance for food marketing include the major developments discussed earlier; increasing levels of education and travel; migration of labor within Europe; reductions in hours of work; growing numbers of radios, television sets, and magazines; and a noticeable increase in the tempo of daily life.

Changing modes of daily living affect diets and food preferences. Differences between (1) Luxembourg and the Wallon areas of Belgium with a traditional French-based cuisine and (2) the Flemish areas of Belgium and their Dutch neighbors with a tradition of a simpler but hearty fare are the most important taste factors in the Benelux countries. These differences reflect and are reinforced by the associated differences in the traditional ways of life of these two cultural groups. Nevertheless, Benelux food industry executives interviewed said that traditional national diets are slowly giving way to an international, or European, cuisine. This does not mean that the Dutch or the Belgians have ceased eating their traditional dishes. It means that they are increasingly becoming acquainted with products new to them, including traditional dishes of other European countries.

One cause of this trend to a more international consumption pattern is the growth of tourism. Each year, more Europeans travel outside their own national boundaries. Diets of many Europeans are also affected by rising levels of education and exposure to modern communications media. It is estimated that there were only eight television sets per 1,000 people in Belgium in 1960 and 70 per 1,000 people in the Netherlands. The comparable U.S. figure was 325 (48). By 1967, numbers of television sets per 1,000 people were: United States, 392; Netherlands, 200; and Customs Union of Belgium and Luxembourg (BLEU), 185. Benelux consumers, of course, also have ready access to magazines, newspapers, movies, and radios.

Finally, there is the increasing tempo of modern life. Most Europeans now have more leisure time than ever before but less time to spend leisurely. Like Americans, they have a strong desire to save time and effort in such chores as meal preparation and shopping. The growth of supermarket retailing and rising sales of convenience foods are logical results. Another indication of the rising pace of daily living is the trend of reducing the traditionally long lunch period to an hour or less. Associated with this is the appearance in recent years of limited-menu, fast-service eating places that resemble American establishments of the same type. All these factors influence the behavior and attitudes of the better educated and more affluent members of the post-World War II generation.

But while new, more international patterns of living are clearly developing in the Benelux countries and throughout Europe, traditional ways, diets, and preferences remain important. As Benelux food industry executives uniformly emphasized, success in food marketing in the three countries requires recognition of both traditional, national (and local) habits and preferences, and the changes taking place in them.

Agriculture

The basic economic, technological, and social developments that are so rapidly changing the Benelux consumer's way of living are also affecting his main food supplier, the Benelux (and European) farmer. Farms are declining rapidly in number but increasing in size. Agricultural production and productivity are rising, and the product composition of output is changing slowly. Employment and total area cultivated continue to decline as agriculture becomes a smaller sector of the Benelux economies.

From 1955 to 1967, agriculture's contribution to the Dutch economy fell from 11.4 to 7.2 percent of the gross domestic product. Agricultural employment fell from 13.2 to 8.3 percent. Similar sharp declines took place in Belgium and Luxembourg (table 5).

Table 5.--Agriculture: Relative contributions to output and employment in the Benelux countries and the United States, 1955 and 1967

Country	Gross domestic product 1/		Employment 2/	
	1955	1967	1955	1967
	Percent			
Netherlands	11.4	7.2	13.2	8.3
Belgium	7.9	5.6	9.3	5.8
Luxembourg	9.3	3/6.3	19.4	13.0
United States	4.7	3.1	9.8	5.2

1/ At factor cost, except United States at market prices.
2/ Including forestry, hunting, and fishing.
3/ 1965.

Source: (38).

From 1950 to 1966, the number of Dutch farms dropped 13.3 percent, the cultivated area decreased 2.6 percent, and the average size of farms rose 12.2 percent (table 6). In Belgium and Luxembourg, farm numbers dropped even more rapidly, about 40 percent, and average farm size rose sharply, about 49 percent in Belgium and 60 percent in Luxembourg. Most of these decreases in number were among farms of 1 to 10 hectares (2.47 and 24.7 acres). Increases in farm numbers were mainly in farms with more than 10 hectares in the Netherlands and more than 20 hectares in Belgium and Luxembourg.

Table 6.--Benelux countries: Changes in farm numbers, total cultivated area, and farm sizes, 1950-66 1/

Item	Change, 1950-66		
	The Netherlands	Belgium	Luxembourg
	Percent		
Decline in number of farms	-13.3	-39.0	-40.4
Average yearly decline	-1.6	-3.6	-4.0
Decrease in total cultivated area	-2.6	-9.3	-4.8
Average yearly decrease	-0.3	-0.7	-0.6
Increase in average farm size	+12.2	+48.8	+60.0
	Hectares		
Average farm size in 1966	10.68	10.16	16.62

1/ 1950-65 for the Netherlands. All data refer to farms of 1 or more hectares.

Source: (17).

These trends are continuing. Under modern price and technological conditions, few Benelux farms are large enough to give operators labor returns equivalent to wages in nonfarm employment. Economic growth and attractive job opportunities outside agriculture continue to encourage the flight, especially of younger men, to the cities. A recent Dutch study, for example, predicted a 3.0-percent annual decline in total man-years in Dutch agricultural employment from 1968 to 1973 (37). The slow but steady transfer of land from farm to other uses also is expected to continue. On the other hand, labor productivity of Dutch agriculture has been predicted to increase in the 1970's about 4.5 percent a year as farms improve their technology and yields, increase capital investments, and use less land and labor (37).

Real agricultural output increased 31 percent in the Netherlands and 16 percent in Belgium and Luxembourg from 1957/58* to 1966/67*. 13/ This output expansion was concentrated in milk products, livestock poultry, sugar beets, and fresh vegetables. Potato production declined sharply and grain production

13/ 1957/58* is a 5-year average centered on itself and 1966/67* is a similar 3-year average.

remained essentially unchanged (table 7). Although in the years ahead the structure of Benelux agricultural production will depend greatly on future developments of the EC's common agricultural policy, strong economic forces are moving Benelux agriculture to greater specialization. In general, the emphasis will be on production of products with high output value per unit of land, especially pork, poultry and eggs, and horticultural crops (4, 5, 31, 37).

Table 7.--Benelux countries: Production of selected agricultural product groups in 1967* and percentage changes, 1957*-67* 1/

Product group	The Netherlands		BLEU	
	1967*	Change, 1957*-67*	1967*	Change, 1957*-67*
	1,000 metric tons	Percent	1,000 metric tons	Percent
All cereals	1,705	3	1,924	5
Potatoes	4,669	26	1,733	-15
Sugar beets	4,616	52	3,436	53
Vegetables	2/1,806	2/36	2/1,028	2/27
Fresh fruit	2/619	2/22	2/338	2/-9
Total meat and edible offals 3/	1,132	76	749	38
Beef and veal	286	44	222	12
Pig meat	582	65	370	53
Poultry meat	195	376	95	143
Condensed and evaporated milk	458	57	39	105
Dried milk	132	94	120	471

1/ 1967* represents a 3-year average centered on itself, and 1957* a similar 5-year average.
2/ 3-year average centered on 1966.
3/ Carcass weight for all animal products.

Source: (38) and computations from data therein.

Foreign trade is important for both the Netherlands and BLEU. In 1968, total exports were 39.4 percent of GNP in BLEU and 33.1 percent in the Netherlands. Imports ran still higher, 39.5 for BLEU and 36.9 for the Netherlands (41, 50). Agriculture accounted for 28.0 percent of the Netherlands' exports but only 8.6 percent of BLEU's (38). 14/ For 1967*, however, Dutch agricultural exports exceeded imports by $664.7 million while BLEU had a deficit of $434.3 million (38). Between 1957* and 1967*, agricultural imports as a percentage of

14/ In the discussion of agricultural trade, agriculture is defined as S.I.T.C. categories 0, 1, 4, 22, and 29. Hides and skins, wood and forest products, and animal and vegetable fibers are excluded, as are imports for reexportation.

agricultural exports fell from 70.2 to 67.9 percent in Holland while agricultural exports as a percentage of imports rose from 30.3 percent to 56.9 percent in BLEU (38). Belgium clearly has become much more self-sufficient in food than it was a decade ago.

Meat, dairy products, fruits, and vegetables are major net export items for the Netherlands, and meat, dairy products, sugar, and honey for BLEU. Cereal and cereal preparations, coffee, tea, cocoa, animal feedstuffs, fats, and oils and oilseeds are important net import categories.

In 1968, the U.S. share of agricultural imports was 23.1 percent for the Netherlands and 11.3 percent for Belgium (51). Feed inputs to livestock enterprises are the major components in U.S. agricultural exports to the Benelux countries; total value in 1968 was over $483 million (51).

The United States has a large stake in the developments now taking place in Benelux agriculture because of potential expansion of U.S. exports of feed grains, soybeans, and other animal feeds and feedstuffs. According to Benelux importers, there are additional opportunities for expansion of U.S. exports of fresh produce. Celery, radishes, and strawberries may be marketed during the winter. Iceberg lettuce probably would find a ready year-round market if technical problems in transportation could be solved.

III.--FOOD RETAILING

A quiet revolution in Benelux food retailing began in the early 1950's as postwar economic recovery developed into sustained economic growth in Western Europe. The pace of change increased in the 1960's. It is likely to remain high in the years ahead. Technological advances in food distribution, changes in the structure of agriculture and manufacturing, modification of restrictive business legislation, and changes in ways of living are contributing forces. The main developments involve all key market variables, such as numbers, sizes, and types of foodstores; consumer shopping patterns; product assortments; marke organization; operating practices; and competition.

Historical Perspectives

Historically, European food retailing systems have had many small shops because economic, social, and political conditions favored them. Few families owned automobiles and refrigerators. They had to shop often and on foot in nearby shops. Each store had few customers, and sold only a few products at high margins. Low family incomes also limited shop size. Poor families lack the effective demand for the great variety of 5,000 to 10,000 articles in a supe market. Smaller store assortments (and stores) are adequate when consumer buying power is low.

At the same time, the small shop, with its modest requirements for capital, labor, and technical and business skills, permitted easy entry into retailing. Many modest-income families were able to meet these limited requirements, and they opened small shops during the interwar depression years to avoid unemployment (20). Another important factor was the absence, until recently, of strong pressure to seek the economies of self-service and supermarket retailing. Labor is the retailer's biggest cost, absorbing about 60 percent of his gross margin. When wages are low, as they were in Europe until the early 1950's, economy in the use of labor is not urgent. A large surplus of labor accentuated this lack of urgency to invest in modern, self-service stores (9).

Finally, most European governments in the prewar and early postwar years encouraged small-scale retailing through legal protection of the small shopowner. A 1937 Belgian law prohibited the opening of new department stores (9). Enlargement of operating department stores also was illegal. (A department store was defined as a retail establishment employing more than five people and selling more than two lines of merchandise.) A 1948 modification removed these prohibitions in cities of 50,000 or more people. Court decisions in the 1950's interpreted "line of merchandise" liberally enough to permit operation of supermarket. By 1961, Belgium had repealed this restrictive legislation, and large-scale retailing was free to expand as rapidly as economic conditions allowed.

In the Netherlands, beginning in the interwar years, retailers were required to obtain a certificate of capacity and proficiency for each major product line. Passing the required examinations and meeting other legal requirements was not simple. A supermarket manager needed at least three certificates. In the early 1960's, these business restrictions were modified enough to permit rapid growth of supermarket retailing.

In 1932, Luxembourg also enacted laws to protect small shopkeepers. Department stores (defined as stores selling more than one line of merchandise and employing seven or more workers) were declared illegal. Creation of new retail chains and expansion of operating chains also were prohibited. These bans extended to consumer cooperatives as well as to private companies. Moreover, unlike Belgium and the Netherlands, the Grand Duchy has not repealed these laws. As a result, Luxembourg today has no large corporate or cooperative food chains and no department stores. A few supermarkets, however, have been built in recent years as a result of liberalization of official interpretations of "line of merchandise."

Resale price maintenance was another device widely used in Europe during the interwar years to protect profit margins of small retailers, wholesalers, and manufacturers. By limiting price competition, resale price maintenance restricted the growth of large-scale retailing and manufacturing. Most European countries abolished the device in the early postwar years but it remains legal in Belgium and the Netherlands. However, as explained later, its impact on the organization and operation of Belgian and Dutch retailing seems to be far less now than in the past.

Numbers and Types of Stores

Since the mid-1950's, the basic economic, social, technological, and political developments discussed above and in chapter II have increasingly favored the rapid growth of supermarket retailing and the decline of small foodstores in Europe. These developments continue to alter drastically the numbers, sizes, and types of Benelux foodstores. The resulting structural change in food retailing is the most obvious and dramatic feature of the current revolution in Benelux food marketing.

Belgium

As recently as December 31, 1961, Belgium had 94,240 food and tobacco retail stores, or about one shop per 100 people. About 92,000 of these establishments were foodstores and nearly 56,000 were general groceries. 15/ The others were meat markets, retail bakeries, dairy product stores, fruit and vegetable markets, and other specialty shops. 16/

The typical Belgian foodstore in 1961 was small. It served only 33 families, had a sales area of about 40 square meters (440 square feet), carried an inventory of only 500 to 1,000 articles, and employed only the owner and his

15/ Belgian Census of Commerce as reported in (8). Belgium had 170,109 retail establishments of all types on Dec. 31, 1961. Food and tobacco also were sold in 22,932 nonfood stores. Of the 116,632 selling units, 4,751 were tobacco only, 58,862 were general groceries, and 53,019 were food specialty shops. The itinerant retailers who man the picturesque open-air markets in Belgian towns are not included in these estimates.

16/ A major reason for the many specialized food retailers is that traditionally in Europe general groceries were not complete foodstores in the American sense. Few sold bread or perishable products.

wife. Only 4,250 of the 94,240 food and tobacco stores had any hired employees in 1961. On January 1, 1962, there were only 32 supermarkets and 573 smaller self-service foodstores in Belgium. 17/

In recent years, the number of general grocery stores in Belgium has declined sharply:

January 1	General grocery stores
	Number
1956	63,180
1963	53,100
1965	47,900
1968	41,744
1969	38,665
1970	36,757

Source: A. C. Nielsen Co. (Belgium).

In the 7 years from 1956 to 1963, the rate of decline was about 2.4 percent annually. But in the next 7 years, it was 5.1 percent annually. Although comparable data on other foodstores are not available, trade sources indicate that similar rates of decline have prevailed. Thus, Belgium probably had about 61,000 foodstores of all types, or about 160 people (53 families) per store on January 1, 1970. Despite this increase of more than 60 percent in average store size, Belgium still has a high density of foodstores by Western European and American standards. 18/ One reason is that on January 1, 1970, almost 89 percent of the general grocery stores in Belgium had 1969 gross sales below $60,000 (table 8). The percentage of specialty shops in this sales class probably is even higher.

All decreases in store numbers are taking place in the smallest stores. In 1969, nearly a sixth of the general groceries with annual sales below $20,000 ceased operations. Some larger stores also were closed, but on balance, their numbers increased. Only the general foodstores with annual sales of $200,000 or more--mainly superettes and supermarkets--increased their market share from 28.3 percent in 1968 to 34.5 percent in 1969. The market share of the smallest shops fell from 15.2 to 11.7 percent.

At the same time that thousands of small foodstores were closed, many new, larger retail stores were built. Others were modernized and enlarged. All new units are self-service. Self-service, the foremost modern technological advance

17/ Belgium uses the International Self-Service Organization definition of a supermarket as a full-line, self-service store with a sales area of 400 sq. meters (4,400 sq. ft.) or more. A superette is similarly defined except that the sales area is between 120 sq. meters (1,320 sq. ft.) and 400 sq. meters.

18/ The Western European average is slightly over 200 people per store. The United States has about 290,000 foodstores and 205 million people, or about 700 people per store.

Table 8.--Belgium: Number and sales of general grocery stores, by size of store, selected years

Size of store (annual sales per store)	General grocery stores on-- Jan. 1, 1969		General grocery stores on-- Jan. 1, 1970		General grocery store sales in-- 1968		General grocery store sales in-- 1969	
	No.	Pct.	No.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.
Under $20,000...	18,587	48.1	15,486	42.1	232.8	15.2	194.4	11.7
$20,000-59,999..	16,257	42.0	17,192	46.8	578.4	37.7	590.1	35.4
$60,000-199,000.	3,168	8.2	3,303	9.0	291.6	18.9	306.2	18.4
$200,000 or more	653	1.7	776	2.1	435.8	28.3	575.4	34.5
Total.........	38,665	100.0	36,757	100.0	1,538.9	100.0	1,666.1	100.0

Source: Computed from data provided by A. C. Nielsen Co. (Belgium).

in retailing, was adopted in Belgium (and in other Western European countries) in the late 1940's. 19/ But this innovation spread slowly in the early postwar years. By January 1, 1957, Belgium had only 119 self-service foodstores, and the country's first supermarket opened that year (table 9). From 1957 to 1967,

Table 9.--Belgium: Number of self-service foodstores, January 1, selected years

January 1	All sizes	Supermarkets	Superettes
1957................	119	0	1/
1962................	573	32	219
1967................	1,679	188	838
1969................	2,405	359	1,141
1970................	2/2,700	2/410	n.a.
1980 (forecast)......	15,000	700	9,000

1/ Not separately classified.
2/ Preliminary.
n.a. = not available.

Source: Internat. Self-Serv. Org., Cologne; Internat. Assoc. of Dept. and Variety Stores, Paris; and (1980 forecast) Comité Belge de la Distrib., Brussels.

19/ The world's first self-service foodstore is widely believed to have opened for business in the United States in 1916.

three supermarkets were built every 2 months. But during 1967-70, the rate of new openings jumped to one every 5 days. Numbers of superettes also are increasing rapidly. 20/

The Netherlands

The Netherlands, like Belgium, long has had many small foodstores. On January 1, 1955, there were 89,926 foodstores of all types, or about one store per 120 people (table 10). Ten years later, there were 76,030 stores and on January 1, 1969, the Netherlands had 67,688 foodstores, or about 188 people per store. From 1955 to 1965, foodstore numbers declined about 1.7 percent a year, but from 1965 to 1969, the decrease averaged 2.8 percent annually.

Table 10.--The Netherlands: Retail foodstores by product class, selected years beginning January 1

Product class	1955	1965	1969	1980 estimate
	Number			
General grocery	24,927	22,386	19,038	12,600
Meat, poultry, and fish	14,905	12,936	12,019	9,000
Milk and milk products	14,008	12,654	11,999	9,000
Fruits and vegetables	16,264	12,730	11,021	7,800
Bread, pastry, and confectionary	19,882	15,324	13,611	11,800
Total	89,926	76,030	67,688	50,200
Population per store	120	162	188	305

Source: (13, 36).

All the decrease in store numbers has been among the smallest stores. From 1950 to 1963, the Netherlands had a net loss of about 12,700 foodstores, but more than 14,100 shops employing one to three persons went out of business (table 11). 21/ As thousands of small shops were closed, Dutch retailers built

20/ One reason for their rapid growth is the policy of Benelux voluntary chains and consumer cooperatives of replacing their small shops in villages and small towns with superettes. One cooperative executive said that superettes are more profitable than supermarkets in these areas. An executive of a large Benelux food chain disagreed. In a development related to the rapid growth of superettes, the average sales area of the small self-service foodstore (under 120 sq. meters) is rising. In Belgium, it is now about 70 sq. meters, compared with 40 sq. meters for the typical counter-service shop (7).

21/ Total employment in food retailing also declined slightly (2.4 percent), in this period, from 227,609 to 223,211 persons. But employment in independent (small) stores fell almost 9 percent while employment in integrated companies rose more than 22 percent to 33,653 workers in 1963. Employment per store increased from 2.1 persons in 1950 to 3.1 in 1963 (13, 36).

Table 11.--The Netherlands: Foodstores classified by numbers of workers, 1950 and 1963

Workers	1950		1963	
	Number	Percent	Number	Percent
1-3	72,482	83.3	58,387	78.6
4-5	10,151	11.7	10,653	14.3
6-20	4,038	4.6	4,892	6.6
21 and over	350	0.4	377	0.5
Total stores reporting	87,021	100.0	74,309	100.0

Source: (13).

larger self-service stores. Self-service retailing first appeared in Holland in the late 1940's. Its growth in the early postwar years was slow. On January 1, 1955, the Netherlands had only 205 self-service foodstores (table 12). Ten years later, there were 5,194, an increase of 499 a year. In the next 4 years, the increase was 819 a year to 8,865 on January 1, 1969. At the beginning of 1970, there were an estimated 9,800 self-service foodstores.

Table 12.--The Netherlands: Self-service foodstores, 1955-70

January 1	Total	Supermarkets 1/
1955	205	0
1965	5,194	429
1967	6,719	869
1969	8,865	1,996
1970 (estimate)	9,800	2,400

1/ The Netherlands does not use the international definition of a supermarket; this requires a minimum sales area of 400 sq. meters (4,400 sq. ft.). On Jan. 1, 1967, according to the International Self-Service Organization (ISSO), Cologne, Germany, the Netherlands had 203 supermarkets by the ISSO definition. The Jan. 1, 1970, figures are the authors' estimates, including an estimated 450 supermarkets with sales areas of 400 sq. meters and up.

Source: (13).

The first Dutch supermarket was opened in the late 1950's, and by January 1, 1967, there were 203. Only 3 years later, an estimated 450 were in operation This rapid growth of supermarkets (about two every 9 days) and superettes is continuing to reduce total store numbers, increase average store size, and change food retailing operations.

The growth of supermarket and superette retailing also is beginning to have some impact on the Dutch (and European) tradition of specialization in retailing. In 1969, only 28 percent of all Dutch foodstores were general grocery stores, compared with, for example, about 76 percent in the United States (table 10). 22/ But supermarkets are making substantial inroads into the sales of specialized shops in addition to increasing their share of general grocery sales. From 1955 to 1969, numbers of retail bakeries and fruit and vegetable shops decreased 36.7 and 32.2 percent, respectively, while numbers of general groceries dropped 23.7 percent. Dairy product stores and meat markets, benefiting from large increases in demand for ice cream, meat, and poultry, decreased much less in numbers, 14.3 and 19.3 percent, respectively, in the same period.

Luxembourg

In 1956, Luxembourg had 2,074 retail foodstores of all types, excluding itinerant merchants (30). Ten years later, there were 1,698 and by 1968, the number was down to 1,625 (1). Currently (1970), Luxembourg has about 1,550 foodstores. In the 14 years 1956-70, the 25-percent decrease in store numbers, coupled with modest population growth, raised the population-store ratio sharply from 148 to 220. The current ratio is higher than the Belgian and Dutch ratios but close to the Western European average. In 1968, only 46, or less than 3 percent of all foodshops, were self-service stores. The current number may exceed 60, including 10 to 15 supermarkets. 23/

With many stores, annual sales per store are low, averaging only $32,000 in 1968 (table 13). Only 9 percent of the foodstores had 1968 annual sales of $60,000 or more, and 40 percent had sales below $16,000. As in Belgium and

Table 13.--Luxembourg: Number and sales of retail foodstores, by size of store, 1968

Annual sales per store	Retail foodstores		Sales of retail foodstores		
	Number	Percent	1,000 dollars	Percent	Dol. per store
Under $16,000	650	40	5,860	11	9,020
$16,000-$29,999	463	29	10,440	20	22,540
$30,000-$59,999	355	22	15,260	30	42,980
$60,000 and over	145	9	20,160	39	139,040
Total or average	1,613	100	51,720	100	32,060

Source: Computed from data provided by A. C. Nielsen Co. (Belgium).

22/ Belgium appears to have a much larger percentage of general grocery stores than Holland. Much of the apparent difference probably comes from different methods of store classification in the 2 countries.

23/ Data for Luxembourg leave much to be desired. Estimates of supermarket numbers obtained from trade sources probably reflect variations in concepts of a supermarket rather than lack of knowledge in the trade.

the Netherlands, many of these small units, reportedly are owned and operated by wives of factory and office workers. Average sales of only $9,000 provide an average labor income of roughly $1,350. This is below the minimum wage of 66 cents an hour. No data are available on numbers of specialized foodstores but personal observation reveals that Luxembourg follows the European tradition in having many of them.

Prospects for 1980

The trends of the 1960's in the structure of Benelux food retailing are likely to continue at least to 1980. In 1968, the Comité Belge de la Distribution estimated that Belgium will have about 25,000 general grocery stores in 1980, compared with 41,744 on January 1, 1968, and 36,757 on January 1, 1970 (7). More than 24,000 small, counter-service groceries are expected to go out of business, leaving about 10,000 in operation in 1980. But self-service groceries are estimated to increase from 2,700 in 1970 to 15,000 in 1980, including 9,000 superettes and 700 supermarkets. The average size of these stores is expected to rise slowly to about 200 square meters of sales area for superettes, 900 square meters for supermarkets, and 70 square meters for small self-service stores. 24/ Thus, self-service stores will be 60 percent of all general grocery stores, will operate 85 percent of total store space, and will make more than 85 percent of total sales.

Although the Comité made no estimate of future numbers of specialized foodshops, its sales forecasts imply large decreases. It projected an annual increase of 2 percent in retail food sales, at constant prices, from 1968 to 1980. 25/ However, sales in general foodstores are expected to rise 2.8 percent a year because supermarkets and superettes are making large inroads into the markets for bread and perishables. Sales in specialty shops will increase only 0.8 percent a year. With a steadily declining market share, numbers of specialty foodstores are likely to decline more than the 32 percent estimated for the general grocery group. In 1970, Belgium had about 24,000 specialty shops. A 32-percent decrease would leave more than 16,000 in business in 1980, or a total of 41,000 foodstores of all types.

The consensus of Belgian food industry executives interviewed in this study is that the Comité's analysis is sound but that it underestimates future rates of change. These executives expect Belgium to have far more than 700 supermarkets in 1980. The number of general grocery stores is likely to be closer to 20,000 than 25,000, and almost all of them will be self-service. The number of specialty shops may drop to 10,000. That is, Belgium in 1980 may have about 30,000 foodstores of all types, compared with about 61,000 in 1970. However, even with this severe 50-percent decline, Belgium will have a foodstore density

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24/ This forecast is based on current trends in store construction. 10 years ago, most European supermarkets had 400 to 600 sq. meters of sales area. Now, most new supermarkets are 900 sq. meters to 130 sq. meters in sales area.

25/ This estimate corresponds closely to the authors' estimate of annual increases in food expenditures in Belgium of 1.6 percent per person per year and population growth of 0.4 to 0.5 percent a year (chapter II).

in 1980 about equal to the 1970 density of 340 people per store in Sweden and more than double the U.S. density in 1970 of about 700 people per store. 26/

In the Netherlands, the Economich Instituut voor het Midden-en Kleinbedrijf recently projected continuing rapid decline in store numbers to 50,200 foodstores of all types in 1980 (13) (table 10). Dutch food industry executives, however, generally expect that the Instituut's projected 1969-80 decrease of 26 percent will be exceeded because of a larger decrease in numbers of specialty shops than the Instituut has projected. That is, the Netherlands is likely to have no more than 40,000 foodstores in 1980, or about 375 people per store.

In Luxembourg, the number of foodstores will decline to 1,270 in 1980, if the trend of the past 14 years continues. This would reduce the density to about 335 people per store. 27/

Bases for 1980 Forecasts

The reasons advanced by Benelux food industry executives for expecting these dramatic structural changes in food retailing are significant. The most important, of course, is that increasingly affluent, motorized consumers are attracted in growing numbers to the new supermarkets, superettes, and suburban shopping centers. These modern installations offer the convenience of one-stop shopping, lower prices, and large product assortments. They are the key elements of an efficient system of mass food distribution in a modern, affluent society.

The growth of supermarket retailing is a severe blow to the small foodshops. Most of them now are only marginally profitable. Few will be able to survive further declines in sales, as a 1968 Dutch study of a representative sample of 240 foodstores makes clear (10).

Most of the sample stores with 1967 sales below 275,000 Gldrs. (about $76,400) had negative economic returns--that is, the shopowner's net earnings were below annual wages in alternative employment requiring comparable skills. For example, among the 145 Dutch self-service foodstores, 16 of the 19 shops with sales below 275,000 Gldrs. had negative results, compared with 34 of the 126 larger stores. Among the 25 sample stores with sales over 1 million Gldrs. ($280,000), only two had negative results. 28/

26/ The estimate for Sweden is based on 1960-68 trends in population and store numbers (22). The U.S. estimate is based on Bureau of the Census data for 1967 and earlier years, projected to 1970. A high number of people per store indicates a low density of stores.

27/ If Luxembourg repeals its laws protecting small-scale retailers, the rate of structural change in food retailing might increase sharply in the decade ahead.

28/ Only 13 of the 79 sample counter-service stores with 1967 sales below 275,000 Gldrs. were economically viable. But 8 of the 16 with sales of 275,000 to 400,000 Gldrs. had positive results (10).

These research findings suggest that at 1970 prices and wage rates, the minimum economic size of store is one with annual sales of at least 300,000 Gldrs. (about $84,000, or 4.2 million Belgian francs). It employs four people including the owner, and has a sales area of about 80 square meters (880 square feet). Several Benelux food chain executives placed the minimum profitable unit at 100 square meters of sales area, or about 2.5 times as large as most small shops.

These executives also are convinced that the minimum economic size of store is increasing. They expect that it soon will be about 150 square meters of sales area. That is, it will be a superette. The main reason is that rising real wages are forcing retailers to seek the operating economies of superettes and supermarkets. All major Benelux retailing organizations--corporate food chains, consumer cooperatives, department-variety store chains, and affiliated groups of independents--have the policy of closing their small, unprofitable shops and of opening only new supermarkets and superettes. 29/

Increasingly favorable employment alternatives, characteristic of rapidly growing, full-employment economies, are another major cause of the disappearance of small shops. In contrast with conditions in the depression years, when retailing was a means of avoiding unemployment, economic growth and tight labor markets today are attracting many shopkeepers into factories and offices. Corporate chain executives said that retirement of the manager of one of their small stores produces a crisis that usually ends in closing of the shop. It is difficult to hire a younger man. Other work pays as well or better, and working hours are shorter. 30/ Specialized retailers, especially retail butchers and bakers, reportedly are experiencing difficulty in hiring the skilled workers they need. 31/ Several Benelux food wholesalers said that many shops operated by women whose husbands have factory jobs are being closed. These women are discovering higher earnings and shorter working hours in other employment. Age of the operator is another factor in the disappearance of small Benelux foodstores. The average age of small shopkeepers reportedly is well above the average age of the total labor force; and few shopkeepers' sons are attracted by the low returns of small-scale retailing.

29/ In 1968, a major Belgian food chain closed 30 of its own small shops, facilitated the closing of 69 other small stores owned by independent shopkeepers affiliated with the chain, and opened 5 new supermarkets ranging in sales area from 1,186 sq. meters to 1,360 sq. meters (about 14,900 sq. ft.). Despite the closures of the small stores, the company's sales were nearly 17 percent higher in 1968 than in 1967 (10).

30/ The prevailing (1970) salary of managers of small stores in a large Benelux food chain is $3,200 for a 60-hour week and the part-time services of the manager's wife. The couple also receives a small rent-free apartment above the store. The income and the long hours of work compare unfavorably with those for most factory and office jobs.

31/ A trade association executive reported personal knowledge of a French supermarket chain's campaign to persuade its customers to buy beef cut in the American style. The reasons are that (1) the American method requires much less labor than the traditional European method and (2) master butchers are in short supply. No information was available on the results of the chain's campaign.

Finally, the Netherlands in 1968 inaugurated a unique national program to facilitate the closure of small shops. Owners of small, low-income shops who are at least 58 years old are offered early retirement if they liquidate their shops. Younger men may qualify for retraining and job placement assistance. The program has not been in operation long enough to evaluate its impact on the structure of Dutch retailing. 32/ It is, however, a significant reversal of the national policy of the prewar and early postwar years to help small retailers to remain in business.

Market Organization

Along with changes in numbers and types of foodstores, the structures of the Benelux food marketing systems are being altered by similar trends in numbers and types of food retailing companies. The Dutch and Belgian food retailing systems are moving rapidly away from their traditional, fragmented structures. In Luxembourg, however, political restrictions on large-scale retailing are retarding the transformation to a modern, concentrated, market-oriented system.

Belgium

Table 14 provides a rough sketch of the organization of the Belgian retail food market, exclusive of specialized shops, in 1968. Currently, (1970) fully independent foodstores make about a third of all food sales made by general

Table 14.--Belgium: Structure of food retailing for general grocery stores, 1968

Type of organization	Organizations	Stores		Gross sales	
	-------Number	------	Percent	Bil. Belgian francs 1/	Pct.
Consumer cooperatives	4	2,782	6.7	6.11	7.9
Corporate chains 2/	44	2,147	5.1	8.49	11.0
Department and variety chains	3/6	198	0.5	6.04	7.8
Integrated firms	54	5,127	12.3	20.64	26.8
Independents affiliated with--					
Retailer-cooperatives	4/1	2,269	5.4	2.15	2.8
Voluntary chains	8	13,631	32.7	21.55	28.0
Corporate chains		2,146	5.1	1.96	2.5
Department and variety chains		547	1.3	2.20	2.9
Affiliated independents		18,593	44.5	27.86	36.2
Unaffiliated independents		18,024	43.2	28.45	37.0
Total		41,744	100.0	76.95	100.0

1/ 50 Belgian francs = 1 U.S. dollar. Estimated.
2/ Firms with 5 or more retail stores per firm.
3/ Definitional problems make this number uncertain; that is, some corporate food chains and some department and variety store chains are becoming so similar in organization and operation that classification is somewhat arbitrary.
4/ There are 15 retailer-cooperatives buying through 1 central organization.

Source: (8).

32/ Similar national programs for small farmers in Europe have moderately accelerated structural change in agriculture.

grocery stores. Integrated companies--consumer cooperatives, corporate food chains, and department-variety store chains--may now have another third of this market. Affiliated independents, including roughly 2,500 stores affiliated with the corporate food and variety store chains, have the remaining third.

In the two-thirds of the market not served by fully independent retailers, there are more than 60 companies and organizations, not counting the individual members of the voluntary chains. Many of the companies, especially most of the 44 corporate food chains, are extremely small. Accordingly, probably not more than 25 companies and voluntary chains have most of this two-thirds share, and a smaller but still major share of the total food retail market.

Although data are not available on recent structural changes, Belgian trade sources indicate that the corporate food chains and department-variety store chains are rapidly increasing their market shares. The cooperatives and voluntary chains in recent years probably have no more than maintained their relative market positions. Executives of these organizations said that their expansion in the dynamic Belgian market has been limited by (1) belated recognition of the need to shift from small shops to superettes and supermarkets and (2) heavy concentration of present outlets, as the result of historical factors, in rural areas.

The Netherlands

The Dutch food retailing system, like others in Europe, is continuing to move rapidly away from its traditional, fragmented structure. From 1953 to 1967, more than 20,000 single-store food retailers went out of business but multiple-shop companies increased from 2,003 to 2,365 (table 15). These firms also increased the number of their stores from 7,924 to 9,029; that is, from 8.7 to 12.6 percent of all foodstores. 33/ Multiple-shop retailers also increased

Table 15.--The Netherlands: Multiple-shop food, beverage, and tobacco retailers, by number of shops operated, 1953 and 1967

Stores per company	Companies		Stores	
	1953	1967	1953	1967
	Number			
2-4	2,007	2,315	4,557	5,209
5-9	116	109	747	688
10 or more	79	95	3,428	4,166
Total	2,262	2,519	8,732	10,063
Food retailers only	2,003	2,365	7,924	9,029
Independent foodstores			1/82,670	62,681

1/ Estimated.

Source: (13).

33/ The increased number of chain outlets apparently resulted from the larger number of firms. The average number of stores per chain fell from 4.0 to 3.8. This may reflect, in part, the prevailing trend among the chains of replacing their small stores with a lesser number of supermarkets and superettes.

their sales. In 1950, the market share of the Dutch corporate food chains was only 10.5 percent (table 16). By 1968, it was 18.5 percent of a much larger total. The consumer cooperatives also increased their market share slightly from 2.8 to 3.1 percent. That is, the market share of the integrated retailers rose from 13.3 percent in 1950 to 21.6 percent in 1968. 34/

Table 16.--The Netherlands: Market shares of major types of food retailers, selected years, 1950-68

Year	Corporate chains 1/	Consumer cooperatives	Independents 2/
	Percent		
1950	10.5	2.8	86.7
1955	12.0	3.0	85.0
1960	13.3	2.8	83.9
1965	15.2	2.9	81.9
1968	18.5	3.1	78.4

1/ Including the department-variety stores.
2/ Including independent stores affiliated with voluntary chains and retailer-cooperatives.

Source: (13).

In contrast, independent retailers experienced a decline from 86.7 percent of total retail food sales in 1950 to 78.4 percent in 1968. This decline was entirely borne by the fully independent retailers because, according to food industry leaders, the market share of the affiliated groups of independent retailers rose in this period.

In the important, rapidly growing general grocery branch of the Dutch food retailing system, the degree of concentration is much greater than in the system as a whole (table 17). Indeed, among the 16 corporate chains with seven or more stores each, the three largest have the lion's share of the stores and sales (table 15).

Luxembourg

Although Luxembourg food retailing is similar to retailing in other European countries in number, sizes, and types of retail foodstores, the structure of the system differs significantly in other respects. Because of the legal restrictions discussed earlier in this report, Luxembourg has no large corporate food chains. The three small chains operating in 1932 continue to operate but they are not allowed to add new outlets. There are no department stores. Each of the consumer cooperative supermarkets is owned by a different society. Retailing

34/ In the United States, corporate food chains increased their share of retail grocery sales from 37 percent in 1956 to 41 percent in 1966. The voluntary chains and retailer-cooperatives augmented their share from 44 to 51 percent in the same period. Fully independent stores, however, dropped from 19 percent of 1956 sales to only 8 percent of the 1966 market (46).

Table 17.--The Netherlands: Distribution of general grocery stores and their sales, by type of organization, 1969

Type of firm	Stores	Sales
	Percent	
Corporate food chains 1/	9.0	29.4
Consumer cooperatives	3.0	6.4
Affiliated independents	46.6	32.7
Independents	51.4	31.5
Total	100.0	100.0

1/ Includes department-variety store chains.

Source: Computed from data for general grocery stores provided by A.C. Nielsen Co. (Netherlands).

in Luxembourg is the province of small, independent, single-store enterprises. Even the six groups of affiliated independent retailers are small because they are not in competition with large integrated companies.

Although the Grand Duchy has prevented development of large cooperative food chains, it has not stopped creation of new but small multiple-store enterprises. Several families in Luxembourg now legally operate small retail food chains in which each store is owned by a different member of the family. 35/ By law, each store must operate under a different name. Pressures are growing in Luxembourg to abolish the present legal restrictions on large-scale retailing. The retailers interviewed in this study are certain of eventual modification of the legislation, but none would venture to guess when it will happen. In the meantime, basic economic and social forces are stimulating construction of new supermarkets, expansion of small chains, and decreases in numbers of small shops.

Product Assortments

Benelux food distributors and manufacturers are responding to changes in consumer demand by altering the mix of products offered. Major retailers are stimulating changes in consumer buying patterns through store design and location, and inventory, advertising, and merchandising practices. Major food manufacturers are developing and promoting new products. The resulting expansion and change in food assortments available to consumers is one of the most important developments in Benelux food marketing today. It will continue to be significant in the 1970's.

35/ One family, for example, operates 3 superettes and supermarkets and food wholesaling enterprise. Another supermarket is in the planning stage. The family appears to be large enough to permit expansion to 6 stores.

Nature of Changes

The general direction of change in Benelux food product assortments and consumer buying patterns is toward the Swedish and North American patterns. The emphasis is on convenience, variety, and quality, including product standardization. Price, as always, remains important. Retail store inventories are steadily expanding in number and variety of articles, level and uniformity of product quality, and number and variety of convenience foods. Equally important shifts are taking place in supermarket stocks in the ratios of (1) distributors' and manufacturers' labels and (2) foods and nonfoods.

Although detailed data on the changing structure of foodstore inventories are not available, the general nature of this development is apparent in Benelux stores. Also, data on the changing pattern of retail sales are useful indicators of change. From 1955 to 1966, major Dutch food chains increased their sales of fruits and vegetables from 3.2 to 8.7 percent of total sales, which rose nearly 200 percent in this period (table 18). Sales of bread moved from zero to 1.8 percent of total sales. 36/ Sales of meat, fish, and poultry rose from 7.7 to

Table 18.--The Netherlands: Distribution of sales by major corporate food chains, by product group, 1955, 1960, and 1966

Product group	1955	1960	1966
	Percent		
Fruits and vegetables, fresh and preserved	3.2	6.1	8.7
Bread	0.0	0.0	1.8
Biscuits, cookies, candy, and sugar products	13.9	14.3	10.4
Dairy products, and animal and vegetable fats	22.8	18.8	13.9
Fish, meat, poultry, and products	7.7	9.9	14.7
Frozen foods	1/	1/	2.1
Other groceries	48.5	45.2	31.4
All foods	96.1	94.3	83.0
Beverages and tobacco products	2.9	4.6	11.5
Other nonfoods	1.0	1.1	5.5
All nonfoods	3.9	5.7	17.0
Total 2/	100.0	100.0	100.0

1/ Not separately reported in 1955 and 1960.
2/ Gross sales of these stores increased from 818 million Gldrs. in 1955 to 1,170 million Gldrs. in 1960, and to 2,363 million Gldrs. in 1966.

Source: (13).

36/ Sales of bread and other bakery products are shifting from retail bakeries to Benelux supermarkets, mainly for two reasons. More consumers are enjoying the convenience of one-stop shopping. For most of them, this requires a significant change in the kind of bread they consume. For bakers and millers, it means a change in the types of flour and wheat needed. At the same time, most retail bakeries reportedly are plagued by rising labor costs and difficulties in hiring and retaining essential skilled workers. Some have resolved the problem by becoming distributors only. Meat markets and other specialized food retailers also are trying to cope with similar problems.

14.7 percent, and sales of frozen foods moved from zero to 2.1 percent. Sales of nonfoods increased dramatically from 3.9 to 17.0 percent. In these same years, sales of products traditionally handled by general grocery stores increased in actual volume but fell in percentage terms. The sales pattern of the Netherland's largest food chain changed similarly from 1960 to 1968 (table 19).

Table 19.--The Netherlands: Distribution of sales by a large corporate food chain, by product group, 1960, 1965, and 1968

Product group	1960	1965	1968
	Percent		
Fresh fruits and vegetables	2.5	4.4	7.0
Fresh meats	2.4	7.6	9.6
Other foods	86.6	74.6	68.0
Nonfoods	8.5	13.4	15.4
Total	100.0	100.0	100.0

Source: Albert Heijn, N.V., Zaandam, The Netherlands.

Major Causes of Changes

These shifts in sales patterns and inventories reflect several major forces in Benelux retailing and manufacturing. By far the most important is the changing structure of consumer demand for food and marketing services. Another cause is the rising popularity of superettes and supermarkets. This change alone greatly expands the number and variety of foods (and nonfoods) available to consumers. A typical small shop with a sales area of only 40 square meters can stock only 600 to 1,000 articles. A superette may sell 1,500 to 2,000 items. A supermarket will display 2,500 to 7,500 products. A "hypermarket" offers an even larger assortment. 37/ The rapid expansion of Benelux supermarket (and superette and hypermarket) retailing expected in the years ahead will continue to increase the effective range of consumer choices among food and nonfood products. Competition among products, and therefore among food manufacturers, will increase significantly.

37/ In Europe, a hypermarket is a self-service store offering a broad range of foods and nonfoods in a sales area of not less than 2,500 sq. meters (nearly 27,500 sq. ft.). The International Association of Department and Variety Stores estimated that there were 355 of these super stores in Europe on Jan. 1, 1970, including 3 in the Netherlands. But the authors of this report are certain that Belgium has at least 1 hypermarket not included in the Association's estimate. More are likely to be constructed in the near future. Recently, a major Belgian food chain and the leading French firm of discount department stores created a joint enterprise to build and operate a chain of hypermarkets in Belgium. The first store already is in business near Mons. These discount department stores are on the outskirts of major European cities, where land for large parking areas is available at reasonable cost. Germany had 250 of the 355 (or 356) hypermarkets operating in early 1970.

A third cause of changes in sales patterns and product assortments is a continuing evolution in the merchandising policies of major Benelux retailers. In their search for higher profits, they conduct continuing, item-by-item analyses of sales and profit margins. They are replacing slow-selling, low-margin items with faster moving products, mainly new convenience foods and nonfoods, and increasing their assortments. 38/ For example, a large Belgian food chain with supermarkets selling about 5,000 products is adding more than 100 items annually to store stocks. A company executive said that domestic and foreign manufacturers offer him more than 1,000 new products a year. The company accepts about 200 and then eliminates about 100 "old" products from its stocks. 39/ The company expects this development to continue indefinitely. A similar account was given by an officer of a Dutch voluntary chain. His supermarket inventories, now averaging about 3,500 items, not only are increasing but over half the articles did not even exist 10 years ago. 40/ The continuing expansion of sales and inventories of new, processed, convenience foods has great significance for food manufacturers. While total sales of food in Benelux countries are projected to rise about 2.0 to 2.7 percent a year in the 1970's, sales of convenience foods are likely to rise nearly twice as fast, or about 4 to 5 percent. In some product lines, the rate of expansion may be closer to 10 to 20 percent. Products most often mentioned by Benelux food industry executives as having such high growth potentials include snack foods, canned soups, pet foods, TV dinners, fully prepared (canned or frozen) main dishes, and frozen foods.

Trends to General Merchandising

Major Benelux food retailers are going well beyond rapid expansion of nonfood sales to offset generally lower and declining profit margins on food. They are moving into general merchandising and modifying merchandising policies and organizational structures accordingly. Traditional differences between the corporate food chains and the department-variety store chains are being reduced in terms of the types of stores they operate, product assortments, and merchandising practices. Leading Benelux food chains are moving toward a sales pattern of 60-percent food and 40-percent nonfoods, compared with about 15- to 20-percent nonfoods now. One food chain is planning construction of several hypermarkets in which food sales will not exceed 50 percent of total sales.

38/ In Luxembourg, supermarket owners have another reason for expanding sales of convenience foods. The food staples included in the consumer price index are subject to price controls. Profit margins on these items are far below storewide averages. Increasing sales of products not subject to price controls helps to raise gross and net profit margins.

39/ An executive of a major Dutch food chain reported receiving offers from manufacturers on about 5,000 new products a year and increasing supermarket inventories by 3 or 4 items a week.

40/ The similarity with the United States is striking. A 1957-67 study of inventories in a U.S. supermarket chain reveals that the stores averaged 3,657 articles in 1957. In the next decade, 1,558 "old" items were eliminated and 2,540 new products were added. In the 1967 average inventory of 4,657 articles, 55 percent were new (47).

At the same time, Benelux department-variety store chains are expanding their food departments, with a goal of about 40 percent of total sales. A large food department attracts customers frequently and regularly into the stores. 41/ This evolution of the Benelux food retailing system has high importance for food manufacturers, especially in the areas of increasing competition between foods and nonfoods and altering retailers' procurement practices.

Brand Competition

The growth of large food retailing enterprises is intensifying the old struggle between distributor and manufacturer brands. Retailer brands are capturing a rising share of the Benelux market for processed foods. Manufacturers are under increasing pressure to supply major retailers with private-label merchandise that can be sold to consumers at prices slightly below retail prices of processor brands. However, most of the leading Benelux retailers interviewed in this study expressed doubts that they can expand sales of their own labels above 40 percent of total sales. Nevertheless, their estimate indicates that with possibly only one exception, 42/ they will be expanding distributor-label relative to manufacturer-label sales of a wide range of food products. 43/

Developments in Profit Margins

Gross profit margins in Benelux food distribution differ considerably by country, trade channels, and product group. In Belgium, combined wholesale-retail gross margins for all foods averaged 30.5 percent of retail prices

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41/ European department and variety stores usually place their food departments at the back of the store, in the basement, or on an upper floor. Customers must walk through several nonfood sales areas to reach the food section. A possible reversal of the European practice of imitating U.S. business practices was supplied by an American executive of a large Benelux department-variety store company, now a subsidiary of a major U.S. nonfood retailing company. This official said that the parent company is watching Belgian developments carefully to see if its U.S. stores can attract more customers and increase profits by adding food departments of supermarket size.

42/ A leading Dutch corporate food chain, as recently as 3 years ago, had a policy of selling only its own private labels. Many of these products were produced in the company's 17 factories. Customer demands for a greater variety of products brought about a major change in company policy. Sales of manufacturers' labels, now at 20 percent of total sales, are rising fast. They may soon approach the 60-percent ratio to total sales competing retailers expect to achieve.

43/ In Belgium and the Netherlands, retailer-label merchandising also has been stimulated by resale price maintenance laws because retailers, not manufacturers, establish prices on items carrying their own labels. As a result of the growth in power of the major retailing organizations and the expansion of sales of distributor brands, a trend seems to have developed among major food manufacturers to forego enforcement of resale price maintenance. The Governments of Belgium and the Netherlands reportedly are considering repeal of present laws. Pressure also is rising for modification of restrictions on radio and television advertising that put food manufacturers' brands at a competitive disadvantage with private brands.

in 1963 (8). Trade sources indicate that current gross margins for independent wholesalers and retailers may be slightly higher. Storewide margins in small, independent groceries are estimated at 25 percent and independent wholesale margins are about 9 percent. These estimates make a combined wholesale-retail margin of 31 to 32 percent of retail prices. Fragmentary data for Luxembourg suggest that margins are as high as in Belgium. 44/ By product group, wholesale-retail margins in Belgium in 1963 ranged from only 11 percent for butter to 55 percent for fresh vegetables.

In the Netherlands, wholesale-retail margins for food appear to be generally lower than in Belgium and Luxembourg. Two recent studies of 1967 operations of independent stores and wholesalers show average gross wholesale margins of about 8 percent (35) and gross retail margins of 16 to 18 percent (12). The average wholesale-retail margin among independents, therefore, was about 24 to 25 percent of retail prices.

Among the integrated distributors and the groups of affiliated independents, gross margins--covering both wholesaling and retailing operations--are close to 22 percent in both Belgium and the Netherlands. This estimate is based on information from company officers interviewed in this study. The lower gross margins of the large, integrated and affiliated organizations permit substantially lower retail prices in their stores compared with those in small, independent shops. Supermarket prices in Belgium, food industry executives estimate, average about 10 percent below prices in small shops. In the Netherlands, the average price difference is less, but it is large enough to encourage rising numbers of consumers to shift to the supermarkets.

By North American standards, the gross profit margins of the major, integrated food retailers in Belgium and the Netherlands are reasonable. That is, the margins are about the same. 45/ Net margins, however, are much higher than in the United States because operating costs as a percentage of sales are much lower. Wages are substantially lower and Benelux retailers offer fewer customer services. 46/ One company executive said that his firm earned net profits after taxes of about 2 percent of sales in 1969. But other large companies appear to have net profits after taxes on the order of 3 to 5 percent. A Luxembourg supermarket operator said that his 1969 net profit was 10 percent of sales, and two Luxembourg consumer cooperative supermarkets reportedly paid patronage dividends of 6 and 7 percent on their 1969 sales.

44/ Luxembourg retailers reported that on some price-controlled food staples gross margins are as low as 7 percent. However, these low margins are offset by substantially higher margins on uncontrolled items, such as processed foods and nonfoods.

45/ Average 1965-66 gross margins of members of the National Association of Food Chains cooperating with Cornell University were 22.3 percent. Net earnings after taxes were 1.3 percent of sales (46) and were lower in 1970.

46/ One costly service that few supermarkets provide and whose absence is immediately obvious to Americans is bagging and carryout assistance. European supermarket customers bag their own purchases at check-out counters and get no help in carrying them out of the stores. Some supermarkets don't provide paper bags. European housewives usually go shopping with their own baskets or nylon mesh bags.

Another indication of high net profit margins is the continuing high rate of self-financed investment by the major companies in new supermarkets and warehouses. Company officers are proud that internal cash flows from net earnings, depreciation reserves, and other sources sharply reduce their need for funds from external sources. 47/

At the same time, Benelux food industry executives stress that the current level of profit margins cannot be maintained. Costs seem certain to rise because (1) wages in the distributive trades are likely to rise faster than labor productivity and (2) increasing competition in food retailing probably will stimulate increases in customer services without offsetting price increases. On the other hand, as the market shares of the supermarkets and integrated retailers rise, the price cushion now provided by the small shops will disappear. That is, the market share of the small independent retailers will become too small to have appreciable influence on prices. The effective price level will then be set by competition among the big distributors. Although no one can predict how long this process will take, Benelux food industry executives seem certain that it will be one of the significant developments of the present decade that will affect all branches of the food industry.

Prospects for 1980

In summing up their expectations of future structural change in food retailing, the Benelux food industry executives interviewed in this study made the following highly significant observation: Sometime between 1975 and 1980, the structures of the Belgian and Dutch food retailing systems will become much like the current (1970) structure of the Swedish system.

In other words, in each of the two nations by 1980, some 12 to 15 large retailing organizations--corporate food and department-variety store chains, consumer cooperatives, and associations of independent retailers--will have 75 percent or more of the retail food market. These few large firms will be efficient, highly competitive, mass merchandisers of food (and nonfoods). They will integrate wholesaling and retailing operations and employ modern techniques of management, store and warehouse operation, and merchandising. In short, they will be organized and operated much the same as similar firms in North America. A much larger number of smaller enterprises will share only a small fraction of the retail food market.

Decreases in number of retailing firms and stores will be made in basically three ways. The smallest of them are expected to disappear through liquidation. Some medium-sized firms will merge with or be acquired by larger companies. Mergers among the few largest companies also may be negotiated. The consumer cooperatives and the voluntary chains are continuing their programs of streamlining their internal structures through mergers of operating units for more

47/ One company's annual report to its stockholders indicates that it increased its investments in land, buildings, equipment, and inventory in the year ending Jan. 31, 1970, by nearly $14.9 million and its liabilities by about $3.6 million. Earnings and other internal cash flows apparently financed more than 75 percent of the new investment (21).

effective competition with the major food chains. 48/ Finally, a few mergers among the voluntary chains and among the consumer cooperatives are probable. 49/

The major corporate food chains and department-variety store chains will continue to increase their market shares. The consumer cooperatives and associations of affiliated independents are expected by most industry observers to have difficulty holding their current relative market positions.

The large corporate food chains, consumer cooperatives, and associations of independent retailers are expected to continue to expand their sales of nonfoods. The department-variety store chains are expanding food sales. 50/ The big retailing enterprises are becoming more alike in types of stores operated, assortments of goods offered to consumers, merchandising operations and practices and management structures and techniques. Competition among these firms, as a result, is becoming more intense and more sophisticated.

By 1980 or earlier, a few Benelux corporate food chains and department-variety store chains may become international in scope and operation. Up to now, Benelux retailers have shown little interest in international operations. 51/ One reason is that opportunities for growth within national boundaries have been so favorable that there has been no need to "go away from home." Another limiting factor has been the small size of even the largest companies. They simply lacked the sales and the financial and managerial resources necessary to handle the problems and risks involved in a foreign venture. Several executives of leading Benelux food industry companies estimate that a company needs sales of about $200 million a year to expand from the national into the European market. On this basis, several Benelux food retailing companies now are in a position to consider retailing on a European scale.

An executive of one large Belgian firm was frank in stating his company's interest in expanding its operations in the near future into other Common Market countries. A major Dutch company is considering the idea mainly because the small dimensions of the Dutch market may soon begin to limit company growth. A few international associations of voluntary chains and retailer-cooperatives have discussed, and experimented on a limited scale with, international

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48/ See chapter IV.

49/ In Belgium, language and religious problems are likely to slow the merger movement among the Belgian cooperatives and voluntary chains.

50/ The food sections of central city department stores are becoming smaller but the chains are expanding food sales rapidly in their suburban stores.

51/ A large Belgian department-variety store chain recently became a wholly-owned subsidiary of a leading U.S. retail (nonfood) chain, and a U.S. corporate food chain has a minority interest in another major Belgian retail food chain. The latter recently sold its Dutch department store subsidiary to a Dutch firm. Other recently created international ventures included (1) a joint venture involving a large Belgian food chain and a French discount department store company to operate a chain of Belgian hypermarkets and (2) a joint venture involving a U.S. food manufacturer and a Belgian food chain to operate a chain of limited-menu, quick-service restaurants.

purchasing operations on behalf of their member national associations. 52/ But most of the major Benelux food retailers remain strongly oriented to their local and national markets. This orientation is unlikely to change greatly until the narrow limits of the Benelux national markets seriously inhibit growth of sales and profits.

52/ Conversations with executives of international associations of voluntary chains and retailer-cooperatives and officers of major food processing companies revealed sharply contrasting views on the extent and possible future growth of international purchasing operations by these associations. The manufacturers said that these operations definitely remain experimental and that they offer no significant advantages either to buyers or sellers. But an officer of an international association of large retailer-cooperatives in 6 countries said that international purchasing by the association has moved beyond the experimental stage for a limited number of products. These are mainly canned goods imported from non-European sources. However, the purchasing officers of the national retailer-cooperatives meet frequently for detailed discussions of market conditions for a wide range of products. More importantly perhaps, they study and compare the specifics of offers each has received from manufacturers. The 6 retailer-cooperatives in this association are major retailing organizations in Denmark, France, West Germany, the Netherlands, Sweden, and the United Kingdom. They operate about 25,000 retail foodstores.

Only limited data are available on the organization of Benelux food wholesaling and on recent structural developments in this important branch of the food industry. But these data indicate that wholesaling, like Benelux retailing, has thousands of small establishments and few large firms. The vast majority of wholesalers are fully independent family enterprises. Only a few score firms are members of affiliated groups of wholesalers and retailers--voluntary chains and retailer-cooperatives. 53/ The trend in numbers of establishments also may be as sharply downward as in Benelux retailing.

Number of Wholesalers

The Netherlands had the following general-assortment food wholesalers in October 1963:

Size of firm (workers) 1/	Establishments
	Number
1-4	243
5-9	129
10-19	136
20-49	135
50 or more	53
Total	686

1/ Includes owners and family workers.

Source: Centraal Bureau voor de Statistiek, The Hague.

Only 53 of these wholesalers had at least 50 workers, including proprietors. From 1950 to 1963, the number of wholesalers of all products in the Netherlands fell from 41,646 to 34,470 (36). Many of the 7,176 departing firms were food wholesalers. Most Dutch wholesalers are fully independent firms. In 1969, the Netherland's eight voluntary chains had 103 member wholesalers and the two retailer-cooperatives operated 35 depots.

In the late 1960's, Luxembourg had 366 wholesalers of all types serving 3,409 retailers (1). In 1956, there were 500 wholesalers. The 28-percent decrease closely parallels the decline of about 25 percent in numbers of retailers in the same period. Currently (1970), Luxembourg may have 150 to 175 food wholesaling establishments.

53/ The warehousing divisions of the integrated food distributors--corporate food chains, consumer cooperatives, and department-variety store chains--are not considered as wholesalers in this study. It is recognized, however, that they perform most of the essential wholesaling functions required by the integrated enterprises.

Belgium had 20,033 food and kindred product wholesalers, including fish, grain, and livestock dealers, on December 31, 1969 (table 20). 54/ Of these establishments, 14,679 were so small they had no hired workers. Only 108 had 50 or more employees. Almost all were fully independent firms. In 1968, Belgium's voluntary chains had only 69 member wholesalers (8).

Table 20.--Belgium: Food and kindred product wholesalers, by number of workers, 1961 and 1967

Workers per firm	1961	1967
	Number	
None 1/	11,954	1,181
1-4 2/	5,837	1,494
5-9	1,364	295
10-19		250
20-49	770	173
50-99	73	
100 or over	35	96
Total	20,033	3,589
Establishments with hired workers only	5,354	2,408

1/ Establishments with no workers except proprietors.
2/ Number of workers other than proprietors.

Source: (2), (3) 1961 data. The large differences in numbers of establishments may reflect (1) differences in the data sources; (2) differences in definition of a food wholesaling establishment; and (3) the downward trend in numbers of wholesalers.

In 1967, Belgium reportedly had 3,589 food and kindred product wholesalers, including 1,181 firms with no workers other than proprietors:

Annual sales (in million dollars) 1/	Food and kindred product wholesalers 2/
	Number
Under 1	3,216
1-1.99	200
2-2.99	102
4-9.99	53
10 or more	18
Total	3,589

1/ 1 U.S. dollar = 50 Belgian francs.
2/ Includes importers, exporters, and wholesaling establishments in voluntary chains and retailer cooperatives.

Source: (2).

54/ In addition, 8,151 wholesalers of nonfoods handled small volumes of food. In 1961, Belgium had 36,179 wholesalers of all types. See table 20 for data sources.

Although a large part of this apparent dramatic decline in numbers of wholesalers from 1961 to 1967 may have resulted from differences in data collection methods, trade sources indicate that thousands of Belgium food wholesalers went out of business in the 1960's. Most of the departing firms were small, but numbers of establishments in all size groups declined. Even among establishments with 50 or more workers, the number of businesses fell from 108 to 96 during 1961-67.

Causes of Declining Numbers

Structural developments in Benelux food retailing explain much of the decline in numbers of food wholesalers. Independent wholesalers sell mainly to small, independent food retailers. For example, a study of 127 Dutch food wholesalers shows that 98.5 percent of their sales in 1967 went to retailers (3 In recent years, thousands of little foodstores have disappeared. Integrated food distributors continue to capture an increasing share of total retail sales Similar developments in agriculture and food manufacturing--fewer but larger enterprises--have had similar adverse effects on small independent food wholesalers. Increasingly, major Benelux food retailing organizations are bypassing independent wholesalers and are buying directly from producers and processors. Benelux food wholesalers are the victims of a structural pincers movement. They are losing customers, suppliers, and sales. Thousands of wholesalers have gone out of business and many more will disappear in the years ahead.

Economies of scale are a second important explanation of the declining trend in numbers of food wholesalers. Estimates obtained from food industry executives indicate that a Benelux food wholesaler needs, as a minimum, sales of about $7 million a year for efficient, profitable operation. 55/ A firm with this sales volume is likely to have about 70 to 80 workers. 56/ Most Benelux food wholesalers are far below this estimated minimum profitable size (table 20 and tabulations on pp. 38 and 39). Perhaps no more than 50 to 60 exceed it. Furthermore, as wages rise, as investments in modern laborsaving buildings and equipment increase, and as profit margins decline in the years ahead, the minimum scale of profitable operation is almost certain to rise. 57/ In other

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55/ In 1965, a French industry leader set the minimum for French food wholesalers at $4 million (18). An American expert in 1967 put the minimum for U.S. food wholesalers at $10 million (24).

56/ Among Dutch food wholesalers with 1967 sales of 20 million or more Gldrs. (about $5.6 million), sales per worker averaged 238,000 Gldrs ($79,240). About one-fourth of the sample firms had sales per worker over $86,000 (11). Thus, the estimate of 70 to 80 workers for a firm with sales of $7 million a year may be slightly low even after allowing for increases in food prices since 1967

57/ An interesting related development in Benelux food wholesaling is contributing to the decline in numbers of retailer customers. Because of rising wages, and therefore rising warehousing and delivery costs, some wholesalers are refusing to accept orders from small retailers for "broken" cases of goods. Alternatively, wholesalers are employing price-volume schedules designed to cover their higher unit costs of handling extremely small orders.

words, the combined force of a declining market share and a rising minimum scale of profitable operation is leading to markedly fewer but larger food wholesaling enterprises.

Other Developments

Benelux trade sources indicate that liquidation has been and will continue to be the exit route for most departing food wholesalers, especially the smaller enterprises. Larger firms usually have other alternatives. Some food wholesalers have transformed their businesses into supermarkets and discount foodstores. A few of them made this shift into retailing by first becoming cash-and-carry wholesalers. 58/ As of January 1, 1969, many of the 176 independent supermarkets in Belgium reportedly were owned and operated by wholesalers and former wholesalers. A similar development has taken place in the Netherlands and in Luxembourg. Other food wholesalers, mostly medium- to large-sized enterprises, have merged into or have been acquired by larger firms. Benelux food industry leaders expect many more mergers, acquisitions, and liquidations of fully independent food wholesalers in the years ahead.

Mergers, acquisitions, and transformation into supermarket retailing also are taking place among the member wholesalers of Benelux voluntary chains. In fact, the declared policy of most if not all of these chains is to encourage these developments. The objective is a voluntary chain with only one large member wholesaler. A large Dutch group which formerly had 13 member wholesalers recently reached this goal. Another Dutch voluntary chain has dropped from 17 to 13 member wholesalers in the past 5 years. Several other Belgian and Dutch voluntary chains also have been able to reduce numbers of member wholesalers in recent years. Similarly, the consumer and retailer cooperatives are successfully engaged in consolidating their operating units. 59/ This streamlining of the internal structures of these organizations is viewed by their executives as essential for better control over retail store operations and for higher efficiency in procurement, merchandising, and retailing. Higher efficiency and improved management, in turn, are needed for success and perhaps for survival in the increasingly severe competition with the corporate food and department-variety store chains.

Prospects for 1980

Few Benelux food industry executives are willing to speculate on specifics of the future structure of food wholesaling. But all agree that by 1980 there will be markedly fewer wholesalers. A Belgian wholesaler expects that at least two-thirds of his country's food wholesalers will disappear in the next few years. Leading independent wholesalers add that even now the Belgian and Dutch

58/ Cash-and-carry wholesaling is popular with small retailers and restaurant owners because prices are lower than at other wholesale houses. The adoption of the principle of self-service in wholesaling reduces the wholesaler's labor costs and eliminates his delivery and credit costs.

59/ The 17 regional and local Dutch consumer cooperative federations are expected to be fully integrated soon into one national operating organization.

markets are too small to permit profitable operation by more than "a few" independents in each major food product line. Some define "few" as three, possibly four, enterprises. 60/ Thus, it is possible that by 1980 Belgian and Dutch food wholesaling will be dominated by 12 to 15 relatively large fully independent firms in each country. 61/

As Benelux food wholesalers become fewer in number and larger in volume, their operations are expected to change considerably. The large firms probably will integrate importing, exporting, and domestic wholesaling operations. They will handle a larger assortment of products. They will offer retailers and domestic and foreign manufacturers a wider range of modern marketing services than most Benelux wholesalers have offered in the past. There is likely to be reduced reliance on passive order taking and on shortterm profits from shrewd bargaining. There will be more emphasis on market development, promotion, and merchandising, and on income from supplying essential marketing services to retailers and manufacturers. Finally, these major wholesaling companies probably will be staffed by men with professional backgrounds who are fully knowledgeable of their products and markets and who have considerable expertise in management and marketing.

60/ Some Benelux importers and wholesalers say that the major retailing companies have not yet taken over as much of the wholesaling-importing function as they could. The main reason is emphasis by the retailers on expansion of supermarkets and shopping centers. The wholesalers expect that in the near future the major retailers will change their priorities, invest in new warehouses, and reduce their patronage of importers and wholesalers.

61/ The several large member wholesalers of the voluntary chains expected to be operating in 1980 are not included in this estimate. These wholesalers are not fully independent enterprises. They are considered in this study as integral elements of the chains and are included in the estimates of retailing organizations in chapter III. In addition to the limited number of major wholesalers, there will always be room for a few small wholesalers and brokers. Some will be specialists and others will be needed to serve the rapidly growing institutional market--restaurants, hotels, hospitals, factory cafeterias, and so on.

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V.--FOOD MANUFACTURING

Food manufacturing in the Benelux countries is a big, dynamic industry. In Belgium, wage earners and salaried employees in food, beverage, and tobacco manufacturing totaled 124,000 people in 1968, or 11.5 percent of the 1,077,000 paid employees in all manufacturing (40). In the Netherlands, such paid employees numbered 176,000 people, or 14.7 percent of paid employees in all manufacturing in 1968. 62/ But in Luxembourg, food processing is only a small fraction of a manufacturing sector that is dominated by a huge steel industry.

Benelux food manufacturing is a highly fragmented industry of thousands of factories and companies. Most are small, independent, family enterprises. They produce thousands of different products and vary greatly in size, technology, markets, and other features. Many use artisan-type production methods, are strongly production oriented, and sell only in local markets. A few large companies, including some Benelux subsidiaries of giant international corporations, are multiproduct, multiplant organizations. They are market oriented and use advanced buying, processing, and marketing methods.

More significantly, Benelux food manufacturing is in the midst of a continuing revolution in its organization, technology, orientation, products, and marketing practices. It is adjusting rapidly to the changing economic, social, technical, and marketing conditions in the Benelux (and other European) countries.

Number of Factories

Belgium had 8,028 food-processing plants employing 75,970 workers, or 9.5 workers per factory, in 1968 (table 21). Of these factories, 6,096 had fewer than five workers each and 6,947 plants had fewer than 10 workers. That is, some 76 to 86 percent of the factories in 1968 were essentially of the artisan type. Only 138, or 1.7 percent, of the factories had 100 or more employees but they employed nearly 46 percent of all workers in the industry.

From 1961 to 1968, Belgium may have lost 9,935 food factories highly concentrated in the group with fewer than 10 workers per plant. 63/ There also were sharp decreases in numbers of factories and in employment in the group with 10 to 49 employees per plant. Only factories with 100 or more employees increased in number and employment in this 7-year period. 64/

62/ These employment data probably understate the relative importance of food manufacturing because of the many proprietors and unpaid family workers engaged in food processing. For example, in the Netherlands, gross sales of food manufacturers exceeded $5,000 million in 1968 and were more than 25 percent of total Dutch factory outputs. On this basis, food processing is the second largest branch of Dutch manufacturing (33).

63/ The 1961 and 1968 data in table 21 were developed by different government agencies. The data on plants with fewer than 5 workers may not be fully comparable. However, the trends in numbers of larger plants are consistent with trends in other industrialized countries (39).

64/ In the United States, too, increases in numbers of food factories are occurring only in plants with at least 100 workers (55), but the average plant has 51 workers.

Table 21.--Belgium: Food-manufacturing plants and employment, by number of workers in plant, 1961 and 1968

Workers per plant	1961		1968	
	Plants	Workers 1/	Plants 2/	Workers 1/
1-4	3,138	9,572	6,096	10,070
5-9	1,715	10,680	851	5,491
10-49	1,043	21,655	823	17,345
50-99	135	9,475	120	8,291
100-499	119	22,112	125	23,959
500 or over	12	12,374	13	10,814
Subtotal	6,162	85,868	8,028	75,970
Unclassified	11,801	19,766		
Total	17,963	105,634	8,028	75,970
Recapitulation:				
5 or over	3,024	76,294	1,932	65,900
10 or over	1,309	65,616	1,081	60,409

1/ Apparently proprietors in 1961 but not in 1968.
2/ Includes all plants in 1961 but only plants in 1968 reporting to the Offic National de Securite Sociale as of June 30, 1968.

Source: (3) and Institut National de Statistique. Probably only the data fo plants with 5 or more workers are fully comparable.

The Netherlands had 14,527 food- and feed-processing plants employing 217,900 workers, or about 15 per factory, in 1966 (table 22). Of these factories, 12,492 had fewer than 10 workers each. Thus, as in Belgium, about 86 percent of the factories might be classed as the artisan type. Only 386, or 2.7 percent, of the plants had 100 or more workers each.

In 1950, the Netherlands had 23,193 food- and feed-processing plants with 227,532 workers (36). By 1963, there were 15,754 factories with 224,082 employees. From 1950 to 1966, more than 10 Dutch food- and feed-processing plants went out of business each week. Average plant size increased from 10 to 15 workers, mainly because of sharp reductions in factories with fewer than 50 workers each. These trends are continuing. From 1966 to mid-1969, food- and feed-processing plants with 10 or more employees fell from 2,035 to 1,778. 6 As in 1963-66, most of this decline probably was concentrated in the plants with 10 to 49 employees. In some product lines, the rate of decline was much higher than in the industry as a whole. For example, from the end of 1962 to mid-1969, the number of dairy product plants fell from 465 to 340. Meat-packing and meat-processing plants declined from 181 to 131.

65/ Computed from data supplied by the Centraal Bureau voor de Statistiek, The Hague.

Table 22.--The Netherlands: Food- and feed-manufacturing plants, by number of workers in plant, 1963 and 1966

Workers in plant	1963	1966	1980 estimate
Under 10	12,853	12,492	8,130
10-49	2,162	1,279	
50-99		370	
100-499	739	339	820
500 or over		47	
Total	15,754	14,527	8,950
Employment: 1/			
Total	224,082	217,900	189,000
Per plant	14	15	21

1/ Including proprietors.

Source: Centraal Bureau voor de Statistiek, The Hague.

In Luxembourg, where steel is the main industry, food processing is a minor branch of the manufacturing sector. In 1965, gross sales of food factories were only $30.2 million, or less than 5 percent of total manufacturers' sales of $672.8 million (30). In 1968, Luxembourg had 70 food-processing plants of all types (1). They employed 950 workers, compared with 23,404 steel industry employees and 19,630 workers in other nonfood manufacturing. Among the 70 food plants, the 28 plants in flour milling and pasta products were the most important. 66/ In 1955, Luxembourg had 51 of these cereal products factories. Whether the sharp decline in this branch of the food-processing industry is indicative of structural change in other branches is not known. It may be, since the Luxembourg industry is subject to the same technological and economic forces prevailing in other European countries.

Causes of Changes

The thousands of small, family-owned, basically artisan-type food manufacturing enterprises in the Benelux countries reflect the economic, technological, and marketing conditions of the past. But as this report has emphasized repeatedly, these conditions are changing rapidly and Benelux food manufacturing is moving "with the times."

In response to rapidly rising real incomes, consumer demand is shifting to higher quality, standardized, convenience products. Consumers are expressing their preferences for greater variety and luxury in their diets, new products, and the greater freedom of choice that rising affluence affords.

66/ The other factories included 15 feed mills, 12 slaughterhouses, 9 potato-processing plants, 4 cheese factories, and 12 other food-processing establishments (1).

Modern Benelux food distributors, especially supermarket retailers, are facilitating these shifts in consumer purchasing patterns. They are demanding that food manufacturers cooperate; and as leading Benelux food manufacturers know from experience, these demands are becoming more enforceable and exacting. Economic affluence continues to shift the balance of power in Benelux food markets--as in other industrialized countries--from sellers (farmers and manufacturers) to buyers (distributors and consumers).

Rising real wages are forcing rapid adoption of modern technology in food processing. Larger scale operations are increasingly essential for efficiency. Large investments are needed in labor saving buildings, machinery, and methods. The combination of (1) changes in technology and scale of operation, (2) structural developments in agriculture and distribution, and (3) shifts in consumer demand place heavy new requirements on owners and managers. Few small family enterprises are able to cope with these trends. Usually, the family lacks the essential financial resources. More often, it lacks the sophisticated technical and management skills, expecially in marketing, required by modern developments. In addition, the small firm's traditional production orientation, though logical in past times of relative scarcity and sellers' markets, is a major obstacle to change.

For example, a leading Belgian food industry executive paints a grim picture of present conditions and future prospects for most of the nation's food canners. The typical canning plant has about 10 workers. Its buildings, machinery, and production methods are antiquated and inefficient. Quality and sanitary controls are inadequate. Product standardization falls below market requirements. Research and development are not among the firm's activities. Few small canners can meet the rising demands of major food distributors on such key market variables as prices, quantities, quality, standardization, delivery schedules, market development, and new products. As a result, small canners are competing for a share of a steadily shrinking market. Furthermore, most of them are so lacking in financial, technical, and management resources that they are unable to break out of their deteriorating position.

For most of these small canners and similarly situated food processors, the Belgian industry executive recommends liquidation as their best course of action, both for them and for the industry as a whole. Although some medium-sized canning plants with modern buildings and equipment may find favorable acquisition and merger opportunities, the future is really bright only for the largest canning companies. These are firms with at least 100 employees. They are enterprises large enough to capture the economies of scale possible with modern technology, to have competent market and product research departments, and to meet the demands (and effectively to countervail the growing market power) of the major food distributors.

A similar account of conditions and developments in the Dutch meat packing industry was given by an executive of one of its largest companies. This firm established a marketing department less than 2 years ago. Its research and development department was created even more recently. Older salesmen accustomed to being simply "order takers" are being replaced by trained merchandising specialists. These and other adjustments in company policies and practices are the result of continuing developments in consumer demand and the structure of

distribution. Although the company shares the Dutch market with 130 other meatpackers, it believes that its effective competition comes from only three other large firms. The firm expects to see this competition become more intense and to witness the departure of many small companies. It expects to expand its sales and to be one of the three or four companies marketing most of the nation's meats and meat products in 1980.

Prospects For 1980

Executives of major Benelux food manufacturing and distribution companies interviewed in this study are confident that their production and sales of processed foods will expand rapidly in the present decade. Their optimism is shared by government officials and other observers. 67/ As noted in chapter III, increases in sales of processed foods on the order of 4 to 5 percent a year, or more than double the expected annual increase in total food expenditures, are probable.

At the same time, industry leaders envision significant structural change in the years ahead. They expect large reductions in numbers of small plants and modest increases in numbers of large factories and companies. Along with these changes, they expect a continuing evolution in the types and quality of products manufactured, in processing and marketing methods, and in the nature and intensity of competition. Also, because of continuing technological advances and increases in average factory size, total employment in the industry may continue to fall slowly, despite large increases in production and declining weekly hours of work. 68/

Some idea of the degree of future structural change in Dutch food manufacturing is given in table 22. If the 1963-66 trends are projected to 1980, the Netherlands will have about 8,950 food factories with about 189,000 workers, or 21 per plant. These estimates represent large changes from the 14,527 factories, 217,900 employees, and 15 workers per plant in 1966. Moreover, Benelux food industry leaders and observers think that structural change may take place even more rapidly in the 1970's than in the recent past. Their supporting arguments fall into three principal areas.

One group of factors includes the expected high rates of economic growth and the related general socioeconomic developments discussed in chapter II. The second factor is the comparatively recent removal of tariffs on trade in processed foods in the EC. Removal of these national barriers to trade has expanded the effective size of market for processed foods in the Community and has increased opportunities for and advantages of larger scale production and marketing operations. The third factor is the increasing urgency for rapid structural change in the Benelux industry. This sense of urgency stems, in

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67/ For example, the Dutch Minister of Agriculture and Fisheries, P. L. Lardinois, speaking at the opening of the 18th ROKA Food Fair, Utrecht, Feb. 16, 1970, emphasized the potentials for rapid growth in consumption and sales of processed foods and stressed the growth factors discussed in chapter II (28).

68/ Throughout Europe, average workweeks are declining slowly toward 40 hours.

turn, from three developments: (1) the changing structure of consumer demand and the increasingly sophisticated markets for convenience foods; (2) the growing market power of Benelux food retailers; and (3) the so-called American challenge.

A fragmented industry of small enterprises severely limits its response to the changing structure of consumer demand (23). For example, few Benelux food manufacturers have the minimum annual sales of $30 million to $50 million that industry executives estimate are essential to finance even a small product research and development (R and D) group. 69/ Not surprisingly, food industry R and D expenditures are low. For example, Dutch food manufacturers spent only 53 million Gldrs. (about $15 million) in 1967. This sum was less than 3 percent of the 1,860 million Gldrs. spent by all industries (28). The contrast between the Dutch food manufacturers' share of R and D expenditures and their share of more than 25 percent of total manufacturers' sales is sharp indeed. 70/ It emphasizes that R and D expenditures, like investments in modern machinery, technology, marketing, and management, are closely related to the scale of enterprise.

Some Benelux industry leaders fear that the survival of the Benelux food manufacturing industry is threatened by the so-called American challenge (19). This phrase actually means more than the competition from European subsidiaries of American food manufacturing companies. It covers the competitive challenge from all large, international food companies and from modern Benelux integrated food distributors. The only effective response to this challenge, it is argued, is reorganization of Benelux food manufacturing (19). Specifically, this means rapid elimination of thousands of small factories and development of firms of "European size." These are companies with annual sales on the order of $200 million (19). 71/

Finally, the process of structural modernization of Benelux food manufacturing can be speeded by politicoeconomic developments now under active discussion within the industry and in European capitols. Actions are needed to increase the effective size of markets available to Benelux (and other European) manufacturers. Benelux food industry executives are acutely aware of the severe limits imposed on their expansion by the small size of their national markets.

69/ In 1967, a French food industry analyst set the minimum annual sales at $50 million (56). It is difficult to convert these estimated sales minimums into numbers of employees. U.S. data for 1963 show that few plants with sales of $30 million had fewer than 250 employees (55). A U.S. plant with 1970 sales of $30 million seems almost certain to have more than 100 employees. Also, a U.S. study shows that in 1966 only 10 percent of the R and D expenditures of $166 million by food manufacturers was spent by firms with fewer than 1,000 employees (34).

70/ In 1966, U.S. manufacturers of food and kindred products with R and D expenditures of $166 million accounted for only slightly more than 1 percent of all R and D outlays of $15,541 million by all U.S. industry (34).

71/ While some Benelux food industry executives agree with this estimate, others place the minimum annual sales for a European-scale company as low as $100 million.

Although tariffs are no longer a barrier to trade within the European Community (and some Community and other national tariffs on food products have been reduced in recent years), there is not yet a true common market among the Six in processed foods. This awaits replacement of existing national laws and regulations on product standards, packages, labels, food additives and preservatives, plant sanitation, and related matters with Common Market regulations. This possible development within the EC along with a similar worldwide harmonization of national food laws, also under discussion, has far-reaching implications for the food industries of all countries. 72/

72/ The Federation des Industries Agricoles et Alimentaries devotes considerable space in its recent annual report (19) to the need for and problems involved in developing these EC regulations.

VI.--SIGNIFICANCE FOR THE UNITED STATES

The major emphasis of this report has been on the profound changes taking place in Benelux food marketing systems in response to economic growth and related socioeconomic and technological developments. Rising real incomes and food production continue to shift economic and market power to consumers. Benel food consumption and shopping patterns, and ways of living are changing dramatically. Increasing suburbanization and numbers of automobiles and refrigerato are among the developments of greatest relevance to food marketing. Rising rea wages and advances in technology are other major forces promoting revolutionary changes in marketing structures and operations, competition, management concept and marketing strategies and methods. The direction of change is toward the Swedish and North American patterns of living and food consumption and marketin

Modern Consumer Power

Benelux consumers have long had enough food to satisfy basic nutritional requirements. Yet with rising incomes and moderate population growth, Benelux food expenditures are expected to increase by 2.0 to 2.7 percent a year between 1970 and 1980. Consumers with more discretionary income are progressively demanding higher quality, standardized, convenience food products and fewer staples. They are also demanding more variety in their diets. Over the next decade, expenditures for processed foods may rise on the order of 4 to 5 percen a year, while 10- to 20-percent annual increases can be expected in sales of some convenience foods. Beyond this, Benelux consumers are becoming more willi and able to alter the mix of their expenditures not only among competing foods, but also among food products and the many nonfood products and services competi for their francs or guilders.

The consumer is enforcing this shift in economic power away from the producer towards himself by exercising his newly acquired ability to discriminate in the marketplace. This has been noted by knowledgeable observers of European markets. A recent report to the stockholders of Europe's largest food manufacturing company states:

> Through all the changes . . . over the last twenty years there runs one unifying thread, the modern consumer's desire to choose . . . . More education, more money, more knowledge of the world, everything which is happening to the modern consumer is making her (and him) better able to discriminate . . . . This . . . is of crucial marketing importance (14, p. 94).

A leading French businessman, long accustomed to sellers' markets, recently commented (authors' translation):

> Our economy is . . . now an economy of abundance . . . . The consumer can choose. In fact, he has become devilishly demanding. He makes known his tastes, his wants, and his preferences . . . (16, p. 44).

73/ "The changes sweeping European business started in the late 1950's . . . . It is in the consumer goods sector that the new patterns in marketing are most evident" (26, p. 25).

Finally, in a recent commentary on the Dutch apple market, another analyst noted:

> But, with most apple stocks of relatively poor quality, the Dutch consumer has too many alternative fruit choices to be forced into buying apples of less desirable quality at high prices (51, p. 16).

Although Benelux family incomes average less than half of American levels, Benelux and American consumer buying patterns are becoming more and more alike. 74/ Benelux and other businessmen in food marketing have responded to the challenges presented by these new but persistent signals from consumers in the marketplace.

U.S. Exports: Opportunities and Challenges

By 1980 or even earlier, Benelux food marketing seems destined to be dominated by a few large efficient firms. In food distribution, large, dynamic retail organizations are in the forefront in (1) the movement to self-service, (2) the construction of gleaming new supermarkets with ample parking facilities and about 5,000 different food items, and (3) modern advertising, display, and other sales promotion activities. They are leaders in adoption of modern technology and improved management and merchandising techniques. These are the firms using computers for inventory control and sales analysis, hiring professional managers, arranging for specialized training of employees, offering consumers the most attractive displays of food products, and tempting them with various selling techniques.

In this process, these retail firms are becoming increasingly powerful in the food industry. Increasing competition among them is forcing down profit margins and speeding the exit of less efficient competitors. As their market shares grow, the big firms are increasingly able to enforce their demands against sellers on such key variables as product quality, packaging, prices, and deliveries. They can and do bypass local suppliers to deal directly with domestic and foreign manufacturers. Some Benelux chains now send buyers to foreign countries to contact manufacturers interested in producing an expanding array of products under the chains' own labels.

These developments are causing repercussions in the wholesaling and manufacturing sectors of the food industry. The number of independent wholesalers is rapidly declining as leading firms modernize their operations, sharpen their business practices, merge, and occasionally go into retailing themselves. Similar economic rationalization of food manufacturing is underway as firms grow in size, merge, and modernize to compete for wholesalers' and retailers' orders.

74/ A leading European advertising executive writes: "To the consumer industries considering how best to formulate their (advertising) messages to European consumers, it is more important to take into account trends in European consumption habits than the "national traits" and "traditional characteristics" . . . . Right now there are millions . . . of Europeans living under largely similar conditions, although they read and speak different languages" (15, p. 19). The authors' examination of the major women's and family magazines in Europe today reveal that they are basically like their American counterparts in both advertising and editorial content. They are promoting a modern "American" standard of living that at the moment requires incomes slightly above those of most Benelux families.

Local manufacturers are not only under pressure from powerful retail groups they must also face growing competition from large international manufacturing and distributing companies. These giants are already modern and well managed. Whatever national designation they may have they are oriented to company growth and profits in the world rather than in any one nation. They have production facilities in various regions in the world. They can offer their customers guaranteed deliveries of products of consistent quality at competitive prices that a local manufacturer cannot always meet. American manufacturers are prominent in these developments in Benelux food manufacturing. 75/ Many products with famous American labels in Benelux stores actually are produced in factories located outside the United States. All of these developments are stiffening the competition for space on the Benelux grocers' shelves for truly U.S. food products.

It is true that several general factors favor expansion of U.S. agricultural products, particularly processed foods, to the Benelux countries in the years ahead. Overall consumer demand, especially for the more complex processed items, is rising rapidly; American food products have an historical reputation for high and uniform quality, and American food manufacturers have widely recognized superiority in technology, scale of operations, management, research and development, and marketing. With a small number of firms growing progressively more important in the Benelux markets, U.S. exporters can achieve substantial sales by intensively cultivating fewer business contacts than would be economically feasible in markets fragmented by many small independent firms. But while these conditions present new and greater opportunities, they also present new challenges.

Just as the Benelux consumer no longer need accept any product a retailer cares to offer him for lack of substitutes, so the large retailer or wholesaler has a far greater choice among competing food processors than he had before. Successful U.S. firms will not look to the Benelux markets as a dumping ground in years of excess production nor service these markets only sporadically through local agents who may be no more than order takers. Rather, U.S. firms will realize that leading Benelux food distributors are knowedgeable merchandisers who need to be treated with all the care devoted to their counterparts in the U.S. market. The leading Benelux firms will become increasingly insistent on longer term arrangements with U.S. exporters who are willing and able to guarantee a continuing and timely supply of consistently high-quality merchandise. They will be substantially more receptive to the U.S. firm which attempts to understand the peculiarities of international trade. If U.S. firms operate through a local agent, they should see that the agent is in a position

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75/ American companies reportedly own 13 Belgian food manufacturing companies and hold majority interests in 130 others (19). In this connection, it is of interest that in 1968, Belgium had only 138 food-processing plants with 100 or more employees and only 258 factories with at least 50 workers, according to data supplied by the Institut National de Statistique. (See chapter V.)

to assist buyers in advertising and selling the product line. In addition, exporters must make sure the agent is both willing and trained to "sell" the potential buyers and is not just passively accepting orders from existing accounts. 76/

To sum up, the fundamentals of successful marketing strategies and techniques in the United States and the Benelux countries are becoming increasingly similar. The same kind of effort that goes into selling in the U.S. market is becoming increasingly necessary for profitable participation in Benelux markets.

Policy Suggestions

This report has emphasized repeatedly that economic growth and related socioeconomic trends in the Benelux countries are "Americanizing" Benelux food marketing in all basic respects. The authors believe the emphasis is fully justified. This, however, should not obscure differences between the United States and the Benelux countries that have critical importance for day-by-day marketing operations. These differences are in levels and styles of living, consumer preferences and buying patterns, and the organization and operation of the food marketing systems. Benelux food industry executives interviewed in this study repeatedly stated that American-style food products and marketing methods will be successful only if they are modified to meet specific conditions in the Benelux food markets.

Although U.S. exporters must try to remain competitive on prices, there are limits to the steps a private firm can take to remain competitive in the face of existing trade barriers. This study emphasizes the importance of certain factors limiting expansion of U.S. exports of food and agricultural products. One factor is high Common Market tariff and nontariff barriers to trade in most of these products. As the Benelux food industry expands and modernizes, it can prosper with markedly reduced restrictions on imports. That is, unless existing trade barriers are lowered, expected future developments in the Benelux food industry will raise effective levels of existing tariff protection. Another factor is the discrimination against U.S. exports to Europe built into Atlantic freight rates. Benelux importers and representatives of American food manufacturers accorded this discrimination nearly equal importance with high Common Market tariffs in restricting U.S. exports to the Benelux countries. Finally, there are important limitations on expansion of both domestic and international trade, imposed by the many different national laws and regulations on product standards, packages, labels, food additives and preservatives, and related matters. If a uniform set of Common Market regulations is developed to replace the six national systems of food product regulations, both Common Market and other food manufacturers could operate in a greatly enlarged market without barriers to trade. The impacts of such a development, one now under consideration, on both the internal and external trade of the Common Market could be significant and mutually beneficial for the EC and its trading partners.

76/ The trouble may lie as much with the exporter as with the local agent. One local agent complained that after considerable time, effort, and money had gone into promoting an American product, with considerable success, he was unable to get supplies. The hard-won consumer acceptance was being lost to "third-country" rivals.

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